

Rethinking Fiscal Decentralization Policies in Developing Economies: A Case Study of Ghana

by

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Abstract

This thesis invites geographers to pay more attention to public policy research by addressing the need to rethink fiscal decentralization policies in Ghana. By applying “Simandan’s wise stance in human geography” and “Grix’s building blocks of social research design”, I developed a conceptual framework that unites two incommensurable ontological and epistemological research positions in geography—the positive and normative positions. I used the framework to investigate two key research questions. First, does fiscal decentralization actually work in Ghana? Through quantitative analysis of empirical revenue and expenditure data (1994-2011) of local governments in Ghana, this study reveals significant issues of inefficiency, inequity, and unaccountability. Local governments generate less revenue, and therefore depend largely on central government transfers for developing their jurisdictions. Worse yet, these transfers are highly unpredictable in terms of amount and timing. Even though a multivariate regression analysis revealed that these transfers are apolitical, the actual disbursement formula tends to focus on equality instead of equity. Additionally, the unclear expenditure assignments in each locality make accountability difficult. In view of these problems, I addressed the question: why is fiscal decentralization held out as a good thing in Ghana? By drawing lessons from Foucault’s and Escobar’s critical discourse analysis, I traced a genealogy of Ghana’s fiscal decentralization. I found that the policy is held out as a good thing in Ghana because of the triangular operation of multiplicities of power, knowledge, and truth regimes at the local, national and international scale. I concluded that although nation-states remains a necessary causal link in fiscal decentralization policy process in Ghana, direct and indirect international involvement have profound effect on these policies. Therefore, rethinking fiscal decentralization involves acknowledging the complex intermingling effects that global, national, and local territories produce.

Keywords: Fiscal decentralization, Ghana, Mixed Methods, local government

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CHAPTER ONE

INTRODUCTION

It is especially important in the effort to frame public policy in a way that is properly responsive to human needs and predicaments. The question is always: How will the general rule work in practice?

Elliot Richardson

Underlying the words of Richardson is a fundamental geographic idea: that the practicality of public policy varies across space. Differences in culture, economy, politics, and physical geography across space may inhibit the generalizability or practicality of public policy. I evaluate this claim by examining the practicality of fiscal decentralization¹ in the context of Ghana. I am focusing on fiscal decentralization because of two main reasons. First, I recognize that finance is the ‘lifeblood’ of policy (Asibuo, 2000). Therefore, the success of other forms of decentralization policies² depends largely on effective fiscal decentralization policies. Second, fiscal decentralization is a timely research topic because it is increasingly evident as a key variable in both recent policy documents and practice of developing economies in attempts to redefine and improve governance (Smoke, 2001; 2003). Developing countries have endorsed fiscal decentralization policies based on its theoretical appeal (World Bank, 2000; Bardhan and Mookherjee, 2006). But the question of ‘will the general rule work in practice?’ has been given less attention in geographic research.

The impact of geographers on such policy research has been limited compared to other social, political and environmental scientists. Such limitation can be attributed to the emphasis on linguistic and theoretical issues to the neglect of practical social

¹ Fiscal decentralization involves transferring revenue and expenditure functions from central to sub-national level of local government.

² I discuss the forms of fiscal decentralization in the chapter 2

research in the last two decades (Martin, 2001). In relation to this research project, there is an extensive literature that examines the relationship between fiscal decentralization and its effects on growth, income distribution, poverty, and corruption (e.g., see Martinez-Vazquez and McNab, (2003) and the articles in the 2009 special issue 2 of *Environment and Planning: C* journal). However, only one study examines in depth the role that the discipline of geography can play in fiscal decentralization research (see Canavire-Bacarreza and Martinez-Vazquez, 2012). I argue that all policies (including fiscal decentralization policies) are of geographical concern because they are designed in a given *space*, and implemented through *time*³. Consequently, space and time are two essential concepts within the geography discipline (Thrift, 1996; Massey, 1999).

Therefore, this research project is partly inspired by the need to re-emphasize practical policy studies in geography. My argument is that as Geographers, we need to develop a sense of intellectual cohesion around key social issues and problems, bringing the different theoretical and methodological approaches together to bear on key social policy problems. As Geographers, we should avoid allowing (or even exploiting) our diversity of approaches to form non-communicating cliques and specialisms within the discipline. We also need to pay more attention to detailed empirical work on

³ Thrift (1977:448) confirms the importance of space and time in the discipline of Geography when he noted that “the essential unit of geography is not spatial; it lies in regions of time-space and in relation of such units to the larger spatio-temporal configurations. Geography is the study of these configurations”. Again, in his book on *Spatial Formations*, Thrift (1996: 1) wrote that ‘it is neither space nor time that is central to the study of human interaction order, but time-space’. He enforced this point by later suggesting a dyadic conception of time and space; ‘TimeSpace’ (May and Thrift, 2001:3). Another popular geographer called Doreen Massey points out the essence of treating space and time equally. She wrote that “not only would I argue that we need to think in terms of space-time/time-space, but also I would propose that any conceptualization of space has a (logically) necessary corollary in a particular ‘matching’ conceptualization of time” (Massey, 1999; 264). Treating Space and Time together is difficult, because each have diverse conceptualization by virtue of the great diversity of ontologies and epistemologies within the geography discipline. However, for the purpose of this research project, I consider space and time together, but as given categories, instead of their being socially constructed. Thus, to better understand fiscal decentralization policies in Ghana involves more than understanding where and for what reasons the policies were implemented (spatial components). It involves concurrently looking at ‘the where’ (spatial) and the timing (the period of policy design and implementation, as well as the aftermath of such policies).

public policies, where greater attention is directed to methodology and the quality of evidence. Therefore, apart from reevaluating the appropriateness of fiscal decentralization in Ghana, this research project demonstrates the feasibility of integrating seemingly incommensurable research methods to understand social issues.

Having established my research intentions, it is worth mentioning that the basic theory of fiscal decentralization postulates public sector allocative efficiency, equity and accountability as benefits (Tiebout, 1956; Oates, 1972). However, differences in the degree to which countries have devolved fiscal resources and expenditure responsibilities to local and regional governments' present researchers with a puzzle. Some authors such as Treisman (2006), Arzaghi and Henderson (2005), Panizza (1999), Oates (1972), among others, have proposed plausible models for the determinants of fiscal decentralization. To these authors, the origins of fiscal decentralization are the outcome of myriads of factors: history, culture, politics, and even physical geography. For instance, in Eastern European Countries (EECs) such as Russia, political and economic failures of the autocratic, highly centralized socialist regimes motivated fiscal decentralization reforms while in Latin America, fiscal decentralization has been used as a tool to reinforce the transition to democracy (Rodríguez- Pose and Krøijer, 2009; Artana, 2007). For many developing countries, fiscal decentralization is used as a possible way of escaping from the traps of ineffective and inefficient governance, macroeconomic instability and inadequate economic growth (Bird, 2010; Bird and Vaillancourt, 2008; Smoke, 2001; 2003). Therefore, it is worthy to find out what really compelled Ghana to implement fiscal decentralization, and with what results.

Additionally, one missing piece of the research puzzle and another reason for this research project is that most scholarly literature on public policy (hence fiscal

decentralization) neglects its wider *context* and *practice*. They tend to focus solely on state institutions, the policies and its implementation processes (Hills and Hupe, 1993; 2006). The same applies to a number of published papers on fiscal decentralization policies of Ghana (Ankamah, 2012; Ahwoi, 2010; Antwi-Bosiako, 2010). However, the impact of such public policies goes beyond the institutions of the state. Policies often seek to target groups of people. There are positive or negative impacts on people's lives. In addition, public policy is not isolated from the rest of society. Cultural norms and trends, and the reactions of citizens and media do influence the course of public policy. Events of local, national and international significance influence the policy decisions as well as their implementation.

I argue that a way of thinking about fiscal decentralization — a way not centered on institutions, or structures, or procedures — opens up the possibility of fresh insights into solving the research puzzle presented above. I support my argument by using Foucault's (1980) ideas on the production of discourse. Foucault raises questions about the practices of government and how public policy is formed, shaped and reshaped. Analysis of discourses has the potential to show the link between political rhetoric, and how discourses are created and maintained. Foucault's take on discourses is insightful when applied to the discourses on policy in the Third World⁴. Advancing on Foucault's meaning of discourse, a vital deduction for my research is that discourse is not about saying 'yes' or 'no', when asked a seemingly simple question such as: Is fiscal decentralization efficient or not? Foucauldian discourse analysis involves identifying why the question arises. It is about discussing why society makes any of the 'yes' or 'no' choices and the effect of the choices made (Huxley,

⁴ Foucault provided two meanings of the term discourse. First, discourse includes all forms of representation and not merely written and spoken words. Second, discourse is not simply about something (fiscal decentralization, politics, efficiency) but constitute those things (Cresswell, 2009).

2009). Discourse is about examining why fiscal decentralization is a common theme in policy documents. It is about how and why sub-themes like efficiency, equity, and accountability exist in Ghana's fiscal decentralization policy documents.

From the foregoing discussion, I raise two key questions in attempt to rethink fiscal decentralization policies, using Ghana as a case study. These are:

- Why was Ghana compelled to implement fiscal decentralization?
- Has fiscal decentralization actually worked in Ghana?

The first question of *why* points to the spatial component of this research⁵. The second question relates to the concept of time as it seeks to look at the aftermath of fiscal decentralization policy in Ghana. The rest of the research project is designed to address these two questions. In chapter two, I address fiscal decentralization as a concept, and present a brief overview of its policy in Ghana. In chapter three, I survey literature that addresses questions similar to the two main questions of this research project — *why are developing economies compelled to adopt fiscal decentralization?* and *do fiscal decentralization policies actually work?* I identify methodologies employed in the literature reviewed in both chapters and situate my methodology for addressing the two key questions. I conclude chapter three by establishing a conceptual framework for my research project. In chapter four, I establish a methodology for addressing the two main research questions based on my framework and lessons from methodologies presented in the literature. I present my findings and analysis in chapter five. My conclusion, recommendations and future research are captured in chapter six.

⁵ The spatial component points to the possibility of Global North-Global South linkages in the transmission of policy.

CHAPTER TWO

FISCAL DECENTRALIZATION: CONCEPTUAL REVIEW AND ITS OVERVIEW IN GHANA

2.1 Introduction

In this chapter, I review the literature on fiscal decentralization. I start by explaining the meaning, forms, and theoretical appeal for decentralization in general. I then discuss fiscal decentralization. Finally, I narrow my scope of discussion to Ghana's decentralization system⁶ and focus on the country's fiscal decentralization policies.

2.2 The Meaning and Forms of Decentralization

Decentralization defies a single meaning. As a concept, decentralization is used differently in the literature. Some of the meanings tend to be more general, emphasizing shifting decision-making power and authority from central government to local level of governments (Asfaw et al 2007; Dauda, 2006). Others suggest partial or total distribution of decision-making authority and power, and specific functions from central government to the local levels (Ezeani, 2004). A commonly cited meaning of decentralization is provided by Rondinelli et al (1989), and it specifies the transfer of planning, decision-making, or administrative authority from central governments to local units. On the basis of the degree of power transferred from central government to lower levels, various forms of decentralization may be identified. I notice little agreement in the literature as to the different forms of decentralization. However, Rondinelli's model which involves four forms of decentralization namely deconcentration, devolution, delegation and privatization

⁶ Ghana's decentralization system is also termed as the local government system.

(Rondinelli 1980) remains the most frequently cited conceptual framework in the field.

De-concentration is a type of administrative decentralization that involves a transfer of administrative authority and responsibility to lower sub-national institutions without decision-making authority (Rondinelli and Cheema, 1983). Manor (1999) finds that de-concentration is a very useful first step because it permits the deployment of bureaucratic capacity in the field. He cautioned against what happened in the Philippines where local governments were elected before any meaningful de-concentration had taken place. As a result, newly elected mayors hired readily-available low-skilled staffs. Notwithstanding, deconcentration is often described as a tool used by the central government to establish more control at the local level since the local governments only implement the agenda set by the central government.

The second form of decentralization is *delegation*. Delegation is also a type of administrative decentralization. It involves semi-autonomous transfer of decision making and implementation authority from the central to the local government (Rondinelli and Cheema, 1983). Delegation normally implies a transmission of tasks and administrative responsibilities related to specific functions, usually defined by central authorities. In this sense, the decentralization of tasks does not necessarily mean a shift of decision making authority. This is because the local agents are only given the role of executing decisions that have previously been made at a central level (Lauglo 1995).

Another form of decentralization is *privatization or market decentralization*. Privatization involves government giving up responsibility for certain functions and transferring them to private enterprises so as to ensure increased competitiveness and efficiency (Savas, 2000; Lauglo, 1995). Privatization is premised on the assumption that efficiency and competition is best achieved by the private sector, which is not always the case.

The form of decentralization that was introduced in Ghana's 1992 constitution (recent) is termed as *devolution or political decentralization*. Sub-national governments within a devolved decentralized system are autonomous in decisions making and implementation within their jurisdiction. Their total decision-making and implementation authority is usually backed by law (Ezeani, 2004; Rondinelli and Cheema, 1993). This is the form of decentralization that is entrenched in the 1992 constitution of the Republic of Ghana. All local governments in Ghana are legally mandated to carry out *executive, deliberative and legislative* functions in their locality⁷, while the regional and central government play supervisory roles. It is worth mentioning that the central level has three arms of government performing similar roles—executive, legislature and judiciary arms.

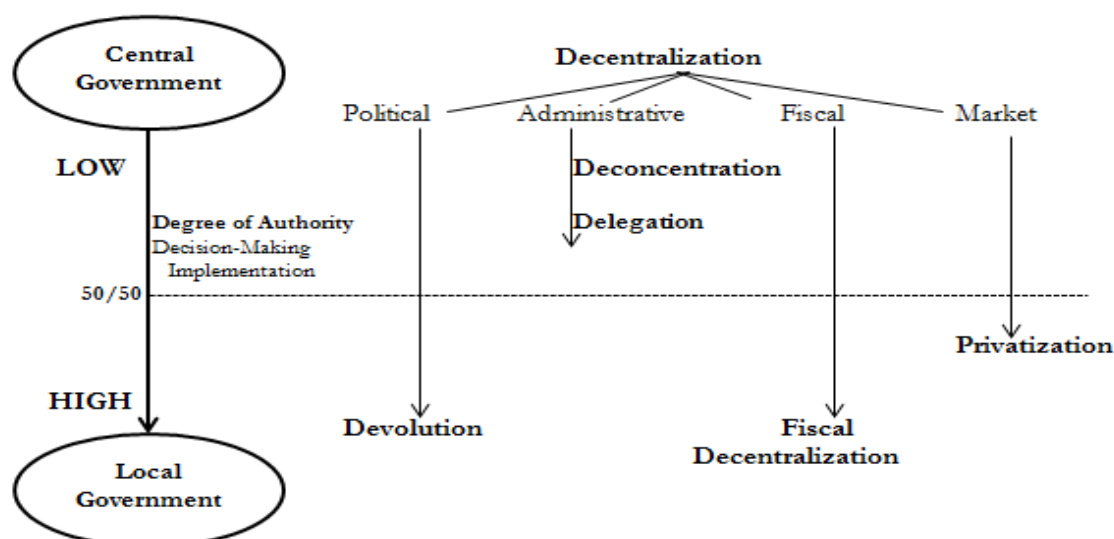
The form of decentralization that is relevant to this research project is *fiscal decentralization* (FD). FD focuses on the fundamental problem of allocating expenditure and revenue responsibilities among levels of government (Shah, 1994).

⁷ Deliberative function involves Local Governments (MMDAs) initiating, discussing, and formulating local level development plans. With their executive authority/functions, they execute plans, programs and strategies for the effective mobilization of the resources necessary for the overall development of the district. Their legislative function ensures ready access to the courts and public tribunals in the district for the promotion of justice (362). Also, they initiate, sponsor or carry out studies as may be necessary for the discharge of any of the functions conferred by this law or any other enactment (See Section 10 of Ghana's Local Government Act—Act 462 for a full list of these 3 functions).

Some authors refer to FD as the devolution of authority for public finances and the delivery of governments services from the national to sub-national levels (Tanzi, 1996). Others reason that FD is a requirement for, and basis of implementing all other forms of decentralization (Asibuo, 2000). Their argument is that the success of all policy designs, institutional arrangement, and implementation depends fundamentally on finance. Of course, finance is very vital in every undertaking. It played a key role in this research project. That partly explains why this research project focuses on FD.

There are two basic interrelated themes under fiscal decentralization. The first is about the distribution of revenue mobilization and expenditure responsibility under the centralized / decentralization alternatives. Here, the question of “who collects and gets what?” in terms of revenue and expenditure becomes an issue between the central and local government (Musgrave, 1983). Second, is the issue of the degree of financial autonomy of local governments relative to the degree of their dependency on central transfers (Davey, 2003). I discuss these two key themes in chapter six.

Figure 2.1: Forms of Decentralization



Source: Authors' Construct, 2013

Literature reviewed on the five forms decentralization indicates how degrees of decentralization relate to levels of central control. Figure 2.1 depicts the forms of decentralization and their consequent degree of central and local level authority. Where the central authorities wish to exercise control, they may choose de-concentration or a delegated system rather than a devolved one.

2.3 Geographical Arguments for Decentralization

In the literature, decentralization is justified as providing economic, social and political benefits⁸. All these justifications have geographical manifestations. Therefore, as a Geographer, I focus on the relationship between decentralization and geography. This relationship is usually presented as a straightforward one in the literature. The logic presented is that the higher the level of geographical complexity and ethnic diversity, the higher the relative gain from moving to a decentralized system of public good provision (Arzaghi and Henderson, 2002; Panizza, 1999). This is because differences in geography, the degree of *geographical fragmentation*, are alleged to have an effect on both preferences and access to public service provision. In terms of access, geographical fragmentation works as a spatial decay factor for centrally provided public goods (Canavire-Bacarreza and Martinez-Vazquez, 2012). That is, centralized

⁸ The economic justification of decentralization argues from the dimension of maximizing welfare and efficiency (Bird 2010; Tanzi, 2000; Loockwood, 2002 and Besley & Coate, 2003). For instance, Bird (2010) asserts that from a neo-classical economics perspective, the most important potential benefit from decentralization is the increased efficiency, and a consequent welfare gain that comes from moving governance closer to the people.

Also, decentralization is argued to be a tool for enhancing grassroots participation, with social and political benefits. Participation of the locals is associated with the idea that development is for, with, or by the people (Dick-Sageo, 2012). Socially, participation enables self-actualization, enhances social solidarity in decentralized localities, and serves as a tool for human development (Dick-Sageo, 2012). Participation also has political values. Participation in local politics is evident through local election of local government representatives. The argument for electing locals as government representative is two-fold. First, the elected know exactly the locals' needs, and hence may represent or address those needs accordingly. Second, the elected becomes accountable to the locals. Some authors argue that accountability plays a key role since decentralization may be the best way to create incentives for politicians to differentiate adequately between the needs of different groups of their citizens and therefore optimize the provision of public goods (Seabright, 1996).

provision of collective goods suffers from distance decay as one move away from the center.

However, I acknowledge that the relationship between decentralization and geography is not a simple one. As Lora et al. (2003) argue, geography plays a fundamental role on the economic and social development as well as the institutional design of countries; yet, this effect could be enhanced (or diminished) in the presence of better physical infrastructure or communications. Other authors are more optimistic. For instance, Canavire-Bacarreza and Martinez-Vazquez (2012) reveal in a recent study that there is a strong correlation between geographical factors and fiscal decentralization. They acknowledged that while the development of infrastructure (in transportation, communications, etc.) tends to reduce the effect of geography on decentralization, their effect is rather small and often statistically insignificant. All these differing arguments point to the discursive nature of decentralization policies. Consequently, I focus on fiscal decentralization in attempt to simplify the complexity between geography and fiscal decentralization.

2.4 Theoretical Justification of Fiscal Decentralization

The theoretical appeal for fiscal decentralization draws largely on the foundational contributions by Stigler (1957), Musgrave (1959), Oates, (1972) and Marlow (1989). Just like decentralization, all these appeal have geographical manifestations. The core logic of the theoretical appeal is based on the following: if growth and poverty issues are to be taken into account, one should be concerned about efficiency-supplying services up to the point at which the welfare benefit to society matches its cost (Ebel and Yilmaz, 2002). Consequently, fiscal decentralization is an issue of considerable

practical importance facing many developing economies and has been championed by international bodies such as the International Monetary Fund and World Bank (World Bank, 2003). I briefly review some of the arguments of these scholars.

According to Marlow (1989), the degree of fiscal decentralization affects public finance in two main ways. First, fiscal decentralization increases competition in the public sector, leading to a relatively lower tax burden. The point Marlow makes is that with people and capital being geographically mobile in pursuit of fiscal gains, the greater the numbers of alternative tax jurisdictions, the less likely that ‘excessive’ taxes will be levied. The second point is that fiscal centralization restricts local governments’ ability to generate revenue since a growing national share of total government money weakens the relative significance of local governments.

After conducting an empirical study for 42 countries, Oates (1972) argued that fiscal decentralization would tend to increase total public resource mobilization through taxation. His study reveals a strong and statistically significant negative association between fiscal centralization and tax revenue. The quantitative method used involved regressing tax revenue (size of public sector) on a fiscal centralization ratio (central revenue as proportion of the total)⁹. In another but related empirical study, Oates (1985) explored the same issue again for 43 countries (18 industrial and 25 developing). The results proved that for the entire sample, the rank correlation between the size of the public sector and the extent of centralization is strong and significantly negative. In other words, more centralized governments have a smaller public sector. In contrast, a relatively decentralized public sector is typically large in terms of revenue mobilization. The two multi-country studies by Oates lend support

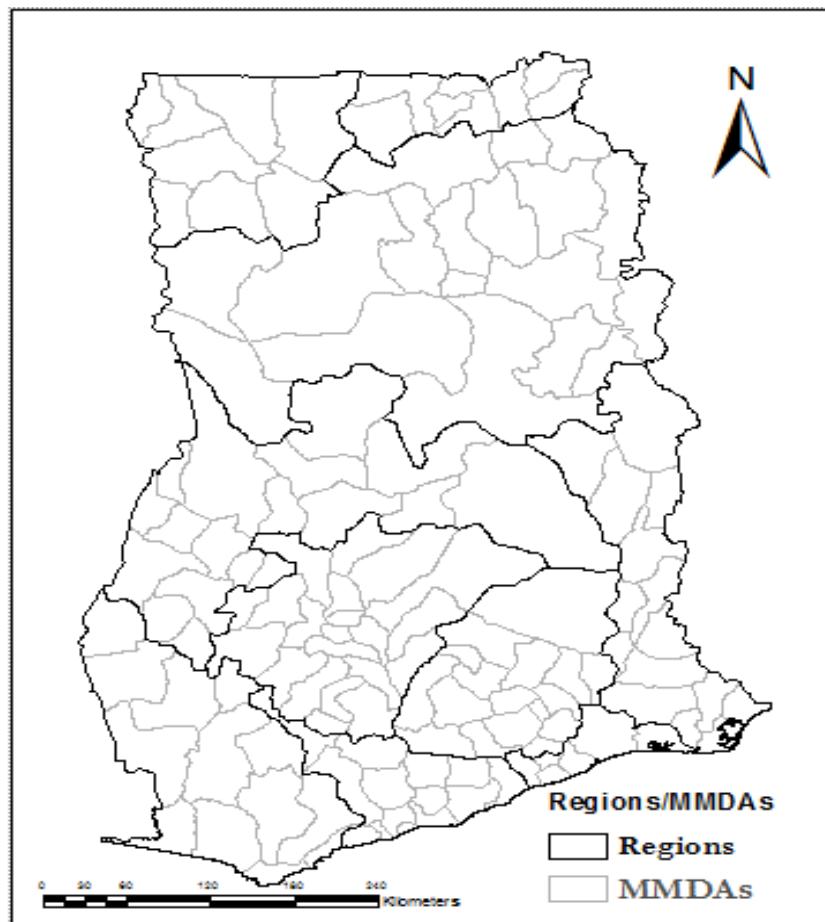
⁹ Some scholars point out dangers of fiscal decentralization, and argue the possibility that centralized delivery of services might enable scale economies and that this in turn means that a centralized government needs less tax money than a decentralized government (Prude’homme, 1995; Klagge and Martin, 2005)

to the claims that fiscal decentralization improves efficiency in tax revenue generation. My analysis evaluates some of these claims by answering the two basic questions of this research. I provide an overview of decentralization in Ghana with emphasis on fiscal decentralization before my analysis (chapter five).

2.5 Decentralization in Ghana: The Local Government System

This research project is a case study of Ghana, a tropical country situated on the west coast of Africa and located between latitudes 4° N and 11° N and longitude 1° 12' east and 3° 15' west of the equator (Figure 2.2).

Figure 2.2: Map of Ghana Showing Regions and MMDAs



Source: Author, 2013

Ghana has a multi-party democratic political system¹⁰ with a presidency, a cabinet, a parliament, an independent judiciary system and a vibrant free press. These constitute the central level, with day-to-day functions administered through an established bureaucracy—ministries, departments and agencies. For administrative and political purposes, Ghana is divided into ten regions. The country also has a local government structure (see figure 2.2 for administrative fragmentation). Local government in Ghana is as old as colonial rule. It can be traced to the British Indirect Rule System, which centered on native authorities made up of Traditional Chiefs or local royalty (Ayee, 1999). However, devolution (political decentralization) did not occur until the 1988 Provisional National Defense Council (PNDC) Local Government Law 207, which was the landmark legislation that provided the legal framework for the start of Ghana’s local government system of today. In the current Constitution of 1992, the PNDC Law 207 has been strengthened as an entrenched provision in Chapter Twenty, while Article 240 specifically provides the broad framework for Ghana’s decentralization (Adusei-Asante and Hancock, 2012). In the last decade, the passages of other relevant laws have also augmented Article 240¹¹.

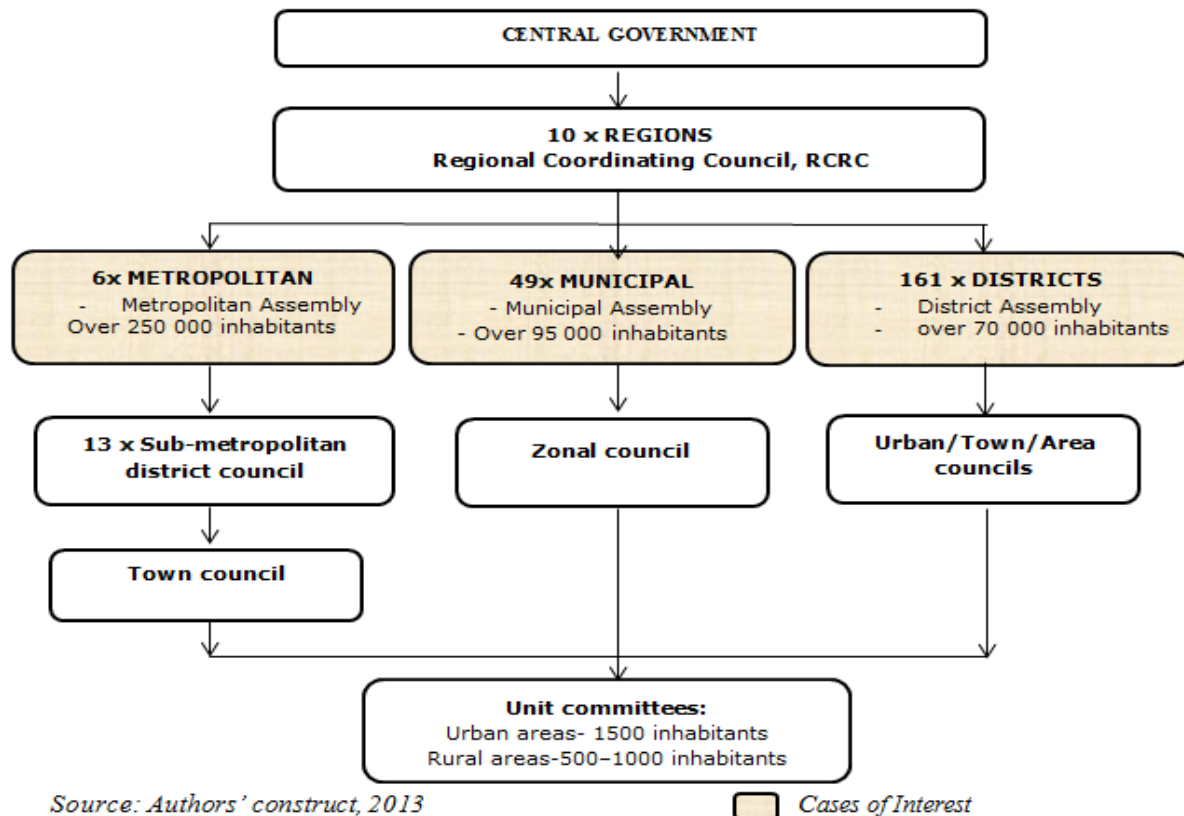
Ghana’s local government structure consists of Regional Coordinating Council (RCC) coordinating between the national government and Metropolitan Municipal and District Assemblies (MMDAs). The MMDAs have within them sub-urban, zonal and town councils (see figure 2.3). Currently, there are 216 MMDAs. The details of the MMDAs per region are indicated in Figure 2.3. Within the structure, MMDAs appear to be the most ‘influential’ as they are entrusted with wide political, administrative,

¹⁰ There are two dominant parties in Ghana: the National Democratic Congress (NDC), and the New Patriotic Party (NPP). These two parties combined obtain about 99% of the total votes cast during each 4-year periodic elections. Therefore, I use only these two parties in my analysis.

¹¹ These include but are not limited to : the Local Government Act, 1993 (Act 462); the Local Government Service Act 2003 (Act 656); the District Assemblies Common Fund Act 455, the National Development Planning Systems Act 480 and the Metropolitan, Municipal and District Assemblies Standing Orders (Constitution of the Republic of Ghana 1992; Kyei Baffour 2009; Antwi- Boasiako 2010; Ahwoi 2010)

and fiscal authority at the local level (Gyimah-Boadi 2009). My research project focuses on the practicality of the fiscal authority given to the MMDAs.

Figure 2.3: Local Government Structure of Ghana



2.6 Fiscal Decentralization in Ghana

In order to ensure that MMDAs discharge their mandated responsibilities, Section 240 (2, c) of Ghana's Local Government Act, 1993 (Act 462) provides that each MMDA shall have a sound financial base with adequate and reliable sources of revenue (Asibuo, 2000). Specifically, MMDAs under the "new local government act, 1993" (Act 462) are empowered to collect revenue and make expenditure decisions so as to

carry out their assigned functions including development (Ayee, 1999). I briefly highlight some of their revenue sources.

2.6.1 Sources of Revenue for Financing Local Government in Ghana

Local Government finance provisions are defined in Article 245 and 252 of the 1992 Constitution and Section 34, Part VII and Part VIII of Act 462. The MMDAs in Ghana are financed from three main sources:

1. Internally generated fund (IGF), that is from the MMDAs sources;
2. Central government transfers to MMDAs, which also takes several forms;
3. Financial assistance from donor agency including non-governmental agencies and voluntary private organizations to the district (Decentralization policy review final report, February 2007).

2.6.1.1 *The Internally Generated Fund/ Owned-Source Revenue*

Autonomous financial responsibility has been recognized as the core of the concept of decentralization (Rondinelli et al 1984). Therefore, the 1992 constitution designates the MMDAs as the rating authority and empowers them to levy and collect local taxes so as to carry out their assigned functions. The various forms of taxes are:

Local taxes: Local taxes are either general rates that are levied uniformly within the entire district for general purposes or special rates that are levied over a particular area of the district for the purposes of undertaking specific approved projects. Examples of rates include the basic rate and the property rates.

Basic rates are general rates payable by all eligible payers above eighteen (18) years. This rate charged is by law, and determined by a rate assessment committee of the MMDAs. Section 95(1) of the Local Government Act indicates that “a District Assembly shall make and levy sufficient rates to provide for that part of total estimated expenditure to be incurred by it during the period in respect of which the rate is levied and which is to be met out of money raised by rates” Allowing each MMDA to decide its rate might produce an interesting geography. In practice however, the Ministry of Local Government and Rural Development has pegged the rates for all MMDAs, again reinforcing the question of whether or not what is documented theoretically can actually be practiced.

Property rates are taxes levied by MMDAs on landed properties or immovable properties owned privately in their jurisdiction. The amount is paid based on the assessed value of the property, which is multiplied by a per cedi payable rate depending on the category of property.

Fees and fines: In accordance with the section 27 of the Local Government Act of 1988 (PNDC Law 207) and within the guidelines set by the central government, MMDAs levies fees on a range of items. User fees are charged for real use of local public services and facilities. Currently, the list of services from which MMDAs charge users is extensive. Examples are market tolls, lorry park fees, and public latrine fees.

Licenses and rents: Licenses are rights given by local authorities to individuals that allow them to undertake all kinds of economic and social transactions. These license charges are used by the MMDAs essentially to carry out developmental projects in the district. Examples of this are beer and wine sellers, and self-employed artisans (Korkor and Kroes, 1992).

The owned-source revenue provisions are available to ensure a more self-reliant political and administrative decentralization. Such revenue sources are designed to discourage existing tendencies towards over-dependence on external sources of finance and control of central government thus enhancing the discretionary autonomy of the MMDAs. Interestingly, the central government maintains the exclusive authority to raise the most lucrative and easy to gather taxes, such as income taxes (Ahwoi, 2000). For this reason, many local governments are highly constrained in their ability to raise revenue. Here again, I raise the main question: will the generally documented rule for fiscal decentralization work in practice?

2.6.1.2 Central Government Grants and Transfers

Grants are non-compulsory receipts from a higher order government, an international organization or a foreign government. There are two basic types of grants, namely general and specific grants. General grants are used to support either general expenditure or finance a budget in accordance to the recipient's preference while specific grants are tied to specific objectives and handed down according to specific guidelines. Central government grants to local governments are an integral part of the local government revenue structure. For many MMDAs, financial transfers from the government remain the most significant revenue source. The major ones are the:

(i) The District Assembly Common Fund (DACF)

The DACF is a major source of information/data for my empirical analysis. This is partly because it forms the bulk of MMDAs finance. Also, data is readily available for analysis. The DACF is a statutory arrangement backed by the 1992 Constitution of Ghana in Article 252 (clause 1 and 2) and the District Assemblies Common Fund Act,

2003 (Act 455). The Act stipulates an annual allocation of not less than 5% (currently 7.5%) of the total revenues of Ghana to MMDAs. The amount is paid in quarterly installments.

The DACF is the source of funds mainly geared towards the finance of capital projects. In principle, there is no control on the use of the funds but in practice, guidelines are issued which in turn limits the freedom of the MMDAs (Appiah, 1999). The distribution of the fund is therefore based on the recommendation of the administrator of the fund which has to be approved by parliament before disbursement to the MMDAs can proceed (Osei-Akoto et al, 2007). According to Fynn (2011), there are five main factors that influence DACF sharing among the MMDAs. These factors include:

The Reserve Factor is an outright deduction before the formula is applied. This reserve includes: Members of Parliament (MPs) fund, Regional Coordinating Councils (RCCs), Reserve (Contingency and Monitoring). Monies used to pay for the allocation of the fund comes from the reserves. In the guidelines prepared by the Ministry of Local Government and Rural Development (MLGRD), the reserve is 10% of the DACF and the remaining 90% disbursed to MMDAs as governed by the guidelines and formulae. Apparently, 35% of the DACF allocated to MMDAs is earmarked for specific purposes and the remaining 65% of the funds must first and foremost cater for construction of facilities at both the district and community levels where they are lacking (Local Government Act 462, 1993).

The Equality Factor ensures that the MMDAs have access to specified funds. It involves a straightforward division of a portion of the fund by the total number of MMDAs in Ghana.

The Needs Factor is meant to address the current imbalances in development. It involves health, education, water availability, and water quality indicators.

The Responsiveness Factor is designed to motivate the MMDAs to generate and collect more internal revenue. Therefore, a percentage increase in MMDAs owned-source revenue will cause an increase in the responsive factor of the DACF.

The Service Pressure Factor assists in improving existing services, which, as a result of population pressures, are deteriorating faster than predicted.

The DACF has increased, instead of reducing the control of the center over the MMDAs' functions. The decisions of the DACF have been usurped by the central government so that the MMDAs remain initiators without finance to implement their decisions (Aryee, 2003). Consequently, the introduction of the DACF has made the MMDAs reliant on DACF proceeds rather than acting as an incentive to mobilize resources locally. The MMDAs also suffer from irregularity in the disbursement of DACF funds, lack of transparency and lack of discretion afforded to district authority over the allocation of funds. Antwi-Boasiako (2010) observed that even though local governments are given autonomy over finance, the central government dictates how money should be spent at the local level. MMDAs have very little fiscal autonomy. They derive approximately 85% of their budget from donors and central transfers. The largest source is the DACF, which is mostly spent on salaries. While salaries are completely non-discretionary, DACF transfers are often discretionary in practice. Here lies the question of motive for implementing the DACF: Is it to enhance political decentralization or reduce it? Are there any factors that can affect such transfers, such as "pork-barrel politics"? My analysis in chapter five examines these questions.

The DACF comes with associated problems such as delays in the release of funds as well as other mandatory deductions at the source. These mostly limit the efficiency of the MMDAs and also slow their work processes in the implementation of projects. Again, the question: “will the general rule work in practice?” can be raised. My analysis will highlight the implication of some of these problems.

(ii) Ceded Revenue

Revenue sources that used to be tapped by the central government, but have been transferred to the MMDAs in pursuit of decentralization are termed as ceded revenue. These sources are entertainment duty, casino, revenue, gambling, betting, advertisements and daily transport tax. The ceded revenue is centrally collected by the Internal Revenue Service (IRS) and the total ceded revenue is transferred to the Ministry of Local Government and Rural Development which shares it among the MMDAs using a formula approved annually by cabinet or parliament.

2.6.1.3 The District Development Fund

The District Development Fund (DDF) was established in 2006 as an alternative to Internal Generated Fund to support MMDAs programs. The Fund is being operated by a secretariat working under a Board appointed by the MMDAs. The DDF is a pool of funds from donor communities (mostly developed countries and international organizations), with a component contribution from the Government of Ghana to support existing development agenda of the MMDAs.

2.6.1.4 *Non-Governmental Organization (NGOs) Sources*

Other sources of revenue are NGOs and voluntary private organizations. They often fund local developmental projects based on self-help initiatives and local contributions in cash, kind and labor. While these sources have been important in implementing several local projects in many developing countries, there are often preconditions for assistance such as project type, size and need orientation, local project implementation ability, proper financial accountability and ensuring permanent information of the voluntary donors to preserve their willingness to help (Appiah, 1999). I now shift my focus towards how MMDAs revenue is utilized.

2.6.2 Expenditure Fiscal Decentralization

Expenditure assignments are the first pillar in the framework of Fiscal Decentralization (FD). A clear delineation of service delivery responsibilities for each tier of government is of critical importance for efficiency and accountability. Problems in the assignments of expenditures may lead to: poor accountability as it is hard to judge the responsible agent and place a clear responsibility; duplication of efforts; conflicts between tiers of governments; dissatisfied citizens; and ultimately hesitation and resistance to continue and deepen the decentralization process.

The expenditure function in Ghana's fiscal decentralization is based on the 'principle of subsidiarity', which suggest that functions should be assigned to the lowest level of government that is capable of efficiently undertaking the task. MMDAs have two major expenditure classification systems: the main and supplementary budget expenditure classifications. The main budget of the expenditure classification covers seven major expenditure headings namely, personnel emoluments; traveling and

transport expenditure; general expenditure; maintenance, repairs and renewals; miscellaneous expenditure; subventions and capital expenditure. The supplementary expenditure classification covers five major sectoral headings namely, education; health and sanitation; local government and rural development; agriculture and; economic activities. I discuss these components in chapter five. I now shift my focus to a review of relevant literature in chapter three.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter is a literature survey that addresses the two main questions of this research project: ‘do fiscal decentralization policies actually work?’ and ‘why are developing economies compelled to adopt fiscal decentralization?’ This survey involves identifying the methodologies employed, and the conclusions reached by authors examining the reasons why countries implement fiscal decentralization. I draw lessons from the methodologies identified, and use those lessons to guide my methodology. I also review the aftermath of the implementation of fiscal decentralization policies. I conclude this chapter by establishing a conceptual framework for rethinking fiscal decentralization policies. Before addressing the two questions, let me briefly draft a theoretical foundation for the questions.

3.2 Understanding Theories in Geography: Positive, Normative or ‘A Wise’ Approach

It is not uncommon for geographers (economic geographers, demographers, etc.) to act as advisors on government policies. In this role, they do not only report research findings but also make recommendations. It is vital then to understand when geographers make objective-evidence based statements about how the world works, and when they are making value-judgments about what policies should be enacted. In this sense, geographers are faced with two basic policy questions: descriptive factual questions, and prescriptive value-based questions. A similar set of policy questions also emerge in this research project. First, does fiscal decentralization work, and the related epistemological question, how do we know it works (i.e., what is the material factual evidence?) Second, why do countries feel compelled to implement fiscal

decentralization, and the related question, why is fiscal decentralization held out as a good thing? The first question draws on positive understandings of theory, whereas the second one draws on normative understandings of theory. Let me expand these two ways of understanding theorization in geography further and relate it to the fiscal decentralization literature.

3.2.1 Positive Stance: An Approach Used to Evaluate Fiscal Decentralization Policies

In his paper “Alternatives to Positive Economic Geography,” King (1976: 300) highlighted three suppositions of the role of positive understanding of theory in economic geography. First, the methodological approach of natural science can be adapted directly to geography, where the geographer is viewed as taking the stance of an “*observer of social reality*”. The geographer in such observer position assumes that the world works in a particular way, and outcomes are not really right or wrong, but instead simply are. Second, the goal of the positive economic geographer is to derive laws and theories, using principles of natural science to arrive at objective testable conclusions, a goal that was popularized during the 1950s Quantitative Revolution in geography¹². Here, the geographer becomes an “*analyst or interpreter of his subject matter*”. Third, the geographer generates ‘value-free’ and ‘neutral’ research. To sum it up, a researcher who takes up a positive stance assumes an objective observer or analyst position, uses scientifically proven or verifiable research procedures (like hypothesis testing of empirical data) to explore a real or material world out there, and seeks to develop or verify theories or model. For fiscal decentralization studies, the positive

¹²The theoretical change towards positivist approaches in geography was championed by geographers such as Kimble (1951) and Schaefer (1953).

approach is used to evaluate a set of assumptions or theories about the policy¹³. What are these theoretical arguments?

3.2.1.1 *Does Fiscal Decentralization Work? Theoretical Arguments in the Literature*

A number of scholarly literatures exploring the practicality of fiscal decentralization policies assume the positive stance to understanding theory. Usually, their point of departure is some existing theories, assumptions or even suggestions in the literature about what may or may not cause fiscal decentralization to work. Such existing theories suggest a number of possible reasons why some countries are more fiscally decentralized than others. Basically these reasons can be reduced to three factors: geographical (including territorial size and cultural/ethnic diversity), historical (i.e. institutional inertia and colonial legacy), and economic. I briefly review literature on these factors to see how they have been evaluated using the positivist stance in research.

Geographical Factors

Territorial Size of a Country: The relationship between fiscal decentralization and spatial extent of a country is usually presented as a straightforward one in the literature. The main argument is that fiscal decentralization will be greater in territorially larger states (Treisman, 2006). The key is that certain central supervisory functions cannot be provided as effectively in territorially extensive countries. As John Stuart Mill asserts:

¹³ It should be noted that this is the norm in economics as well, the discipline most responsible for the theories justifying fiscal decentralization. Most economic geographers no longer adhere to this position. However, for the purposes of checking the internal validity of claims about fiscal decentralization, it is useful that I adopt a positivist mindset. I am actually taking the theorists who have created models that suggest fiscal decentralization will ‘work’ at their word, and using the tools that those theorists understand as the most appropriate ways to assess or falsify (in the Popperian sense of the word) these theories.

“There is a limit to the extent of country which can advantageously be governed, or even whose government can be conveniently superintended, from a single center” (Mill, 1991). For Mill, this constituted a reason for fiscal decentralization in large countries such as the USA and Canada.

Ethnic/Cultural Diversity: The theory here is that the more ethnically diverse a country is, the more likely it will adopt fiscal decentralization. The logic presented is that the higher the level of ethnic diversity, the higher the relative gain from moving to a decentralized system of public good provision and finance (Arzaghi and Henderson, 2002; Panizza, 1999). This is because culture diversity is alleged to have an effect on both preferences and access to public service provision. In terms of access, ethnic diversity works as a spatial decay factor for centrally provided public goods (Canavire-Bacarreza and Martinez-Vazquez, 2012). The second set of theoretical arguments originates with practical politics. Where ethnic divisions are politicized, especially in territorially compact countries, decentralizing authority over such contentious policy issues as education and culture may help prevent ethnic clashes. Such policy decentralization is a key feature of consociational democracy¹⁴ (Lijphart, 1993). Such policies must have some fiscal component to be credible. Thus, to preserve stability, central elites in more ethnically divided societies may choose a higher level of fiscal decentralization.

Historical Factors

Colonial legacy: The British and French are among the major powers that have colonized many countries in the world within the last two centuries. They introduced systems of government and administration that reshaped political life of their

¹⁴ Consociational democracy is a design of democratic institutions thought to help preserve peace in divided societies

colonies. The styles and strategies of political control differed markedly. Various writers have contrasted the British willingness to introduce indirect government by devolving considerable decision making power to elected legislatures of colonial settlers, to the French who controlled every decision of their colonies in the early 19th Century (Tocqueville, 2000; 1833). When they withdrew from their colonies more than a century later, Britain was more prone than other empires to leave behind federal/fiscal structures. Similar to France, the tradition in Spain's overseas dominions is usually seen as one of over-centralization, with considerable powers of taxation and expenditure held by the capital city. As a result, Spain's legacy to Latin America was a tradition of extreme centralization in governmental decision making (Nickson, 1995: 15). In the post-independence years, local government was neglected and even suppressed. As Wiarda and Kline (1996: 45) noted, Latin America's "local governments had almost no power to tax or to administer local social programs".

Institutional Inertia/Democracy: Democracy is alleged to strengthen local government's fiscal autonomy for two main reasons. First, democracy enhances participation in a fiscally strong local government society (Treisman, 2006). Second, fiscally strong local governments might serve as a check on abusive central authorities (Tocqueville, 1969). More recently, the fall of authoritarian governments has led to either spontaneous dissipation of central power or the deliberate assertion of local rights. In Eastern European Countries (EECs) such as Russia, political and economic failures of the autocratic, highly centralized socialist regimes motivated fiscal decentralization reforms while in Latin America, fiscal decentralization has been used as a tool to reinforce the transition to democracy (Rodríguez-Pose and Krøijer, 2009; Artana, 2007). Burki et al (1999: 1) argue that fiscal decentralization in Latin America since the early 1980s has been "part of a broader trend toward democracy in the region".

Economic Factor

Economic development: Fiscal decentralization is assumed to be positively related to economic development for two reasons. First, fiscal decentralization may itself be ‘a superior good, the demand for which is likely to grow with per capita income’ (Tanzi, 2000). As people become richer, more educated, and more urbanized, they may have more time and a greater motivation to participate in making local political decisions. They may also become more skilled at organizing to pressure the central government to devolve authority and fiscal resources. A second reason is that increases in development may induce a shift in tastes towards public goods and services that are most efficiently provided locally. Musgrave (1969: 797) suggested that as societies grow more affluent, provision of public goods becomes more efficient at local or regional scale. Also, as population density rises with urbanization, the risks of crime or accident may also rise at a disproportionate rate, requiring greater proportional of public spending on policemen, firemen, and health inspectors to achieve the same level of public safety (Treisman, 2006). In effect, some economically developed societies might use fiscal decentralization as a policy to efficiently meet the increasingly diverse consumption needs of their economies.

Having discussed the key arguments for fiscal decentralization, I now shift my focus to considering how researchers have evaluated these claims for fiscal decentralization. However before I shift the focus of the literature review, it is worth mentioning that other authors raise questions about these theoretical appeals. For instance, Lora et al. (2003) argue that the effect of geography (territorial size and ethnic diversity which ties into the ‘distance decay’ principle) on policies like fiscal decentralization could be enhanced (or diminished) in the presence of better physical infrastructure or communications. In other words, these policies reduce the ‘friction of distance,’ that is, the cost and timeliness of movement and communication. Also, the use of fiscal

decentralization to reduce ethnic clashes within countries is not guaranteed. This is because central governments may be more interested in retaining fiscal resources at the center instead of decentralizing such resources to avoid ethnic clashes. And, even if they do decentralize fiscal resources and decisions, this may fail to prevent ethnic violence, as in the case of Lebanon in 1975 (Treisman, 2006). In the same way, democracy is not always positively linked to fiscal decentralization as there are prominent examples of highly centralized yet democratic countries (e.g., France).

3.2.1.2 Does Fiscal Decentralization Work? A Review of Positive Empirical Approaches

A number of scholars have empirically tested the theoretical arguments of fiscal decentralization using positivist quantitative methodology. Specifically, the scholars have explored the relationship between fiscal decentralization and its theoretical determinants and implications (geography, politics/democracy, economic growth, equity, efficiency, accountability, poverty etc.). In this review, I focus on these literatures: Canavire-Bacarreza and Martinez-Vazquez (2012), Morgue et al (2012), Treisman (2006), and other economic literature. In these literatures, I identify the methodology and data author(s) used to measure fiscal decentralization, and what the policy seeks to achieve. I also point out some strengths and weakness in their approach where necessary.

First, I consider the empirical research of Canavire-Bacarreza and Martinez-Vazquez (2012) on the role of geography as a determinant of fiscal decentralization. Their point of departure was two theoretical models built by Panizza (1999) and Arzaghi and

Henderson (2002)¹⁵. Based on the models, they develop a hybrid model that suggest that geographical differences (which they refer to as *geographical fragmentation* and *ethnic fractionalization*) are expected to have an effect on both *preferences* and *access* to public service provision. They propose that preferences are due to differences in the physical environment (altitude and climate), while access is based on the economic costs of provision or distribution due to distance decay.

To confirm or refute their proposition, they use regression analysis. In terms of data, they put together an unbalanced panel dataset for 91 countries for the period 1960-2007 from secondary sources. One problem with their data was missing observations on some variables, which lead to variation in sample size across estimations. They average the values for 5 year periods in order to smooth the data over the macro-economic cycle and also focus on the long run effects.

Prior to measuring fiscal decentralization, Canavire-Bacarreza and Martinez-Vazquez (2012) acknowledge that in practice, the data available to them do not allow for measuring true levels of fiscal autonomy, especially at the cross-country level. They therefore estimate fiscal decentralization as the percentage of revenues and expenditures of the sub-national governments relative to the total revenues and expenditures of the entire public sector of the selected countries. They collect data

¹⁵ Panizza's (1999) model suggest that the size of a country has a close relation with the level of heterogeneity of preferences and therefore an increase in the size of the country will decrease the marginal benefits from fiscal centralization. Arzaghi and Henderson (2002) model the creation of sub-national governments (under restricted mobility) as being determined by balancing the fixed costs of sub-national administration with the "spatial decay" of goods provided from the center. For a benevolent government, their model predicts that adoption of decentralized structures is promoted by (1) larger income, (2) larger population, (3) higher spatial decay of local public services provided to the hinterland by the central government, (4) higher relative income in the hinterland region, (5) larger population share of the hinterland, and (6) lower fixed costs of government for the hinterland region. Sub-national governments are thought to be more responsive to the local constituencies than the central government. Even though they do not explicitly model the role of geography again it is quite intuitive that spatial decay in the provision of public goods can be related to intensity of physical geography.

available from 1960 to 2007¹⁶. The data was sourced from the Government Financial Statistics publication by the International Monetary Fund. They argue that the use of large sample cross-country datasets will offset any effect that missing data may have on their regression analysis, and even support their argument with the literature (Letelier, 2005). However, I argue that there is a trade-off between cross country estimated analysis and country specific sub-national level analysis. While it is statistically relevant to deal with large sample size, it is equally important to understand the country-specific sub-national fiscal autonomy situation¹⁷. Canavire-Bacarreza and Martinez-Vazquez (2012) did not achieve the latter. My research focuses on the latter, and seeks to achieve a detailed comparative analysis of fiscal decentralization situation in various jurisdictions of Ghana.

Canavire-Bacarreza and Martinez-Vazquez (2012) measure geography using different variables. First, they constructed an index of geographical fragmentation (GFI). The GFI was used to capture the differences in preferences due to differences in altitude/climate. The essence of the index is provided by the weighted probability that two individuals taken at random do not live in similar altitude zones, with the weight matrix calculated as the average distance between altitudes. The index was simply calculated as $1 - (\text{population per elevation} \times \text{the distance between the different altitudes})$. An index of 0 corresponds to a case where all the population is settled in the same altitude zone, while 1 corresponds to the unlikely case where each individual

¹⁶ Many scholars like Pryor (1968), Oates (1972), Panizza (1999), Banful (2011), Martinez-Vazquez and Timofeev (2009) have employed the same approach to estimate the degree of fiscal decentralization. It is a common approach. For instance, Feld and Schnellenbach (2008) show that the expenditure share of subnational governments or closely related measures is used as the fiscal decentralization variable in about 35% of models, the revenue share is used in about 10% of models, and the weighted average of expenditure and revenue decentralization is used in about 3% of models in their survey of 26 empirical studies on the effects of fiscal decentralization on economic growth. Others are the divergence between central and subnational government spending or revenue (about 12%), and the tax autonomy of subnational governments (about 25%).

¹⁷ Country specific geography matters because institutions, even markets, vary by location. Institutions and markets in turn shape outcomes.

lives in different altitudes. In general, geographical fragmentation will increase with the number of altitude-zones and the more equal weights for each group. For robustness, they constructed Gini distribution indexes for in-country elevation and climate. A lower Gini index would show that the country is more geographically homogenous in the sense that all areas tend to have more similar climate zones or elevations. They further estimated the variation (standard deviation) of the in-country elevation. Higher variance on elevation would indicate that the country has a more non-homogenous topography. Apart from the GFI, Gini distribution index and standard deviation, other variables included are the log of GDP per capita, infant mortality index, index of ethnic fractionalization (measured by ethno-linguistic fractionalization), indices of rule of law and corruption, and the log of area. Treating all these variables as independent variables, and fiscal decentralization as a dependent variable, Canavire-Bacarreza and Martinez-Vazquez (2012) run a multiple regression analysis.

Their regression results indicated that almost all independent variables positively influence the degree of fiscal decentralization. More especially GFI and country size had the strongest positive correlation with fiscal decentralization. Additionally, a weak negative effect was realized for the corruption variable, indicating that less corrupt countries (with better institutions) tend to have higher levels of fiscal decentralization. Also, higher levels of fractionalization lead to higher levels of fiscal decentralization. However, this effect holds only for the expenditure measure of decentralization, which implies that, the greater the ethnic diversity, the greater the difference in expenditure needs of the people and the greater the degree of sub-national expenditure decentralization. The main conclusion reached by the authors is that there is a clear positive effect of geographical variables on fiscal decentralization.

Canavire-Bacarreza and Martinez-Vazquez (2012) offer many lessons for my research project. First, correlation, or multiple regression is a useful approach to identifying the strength and direction of different variables that can affect fiscal decentralization. Second, the degree of fiscal decentralization can be estimated from unpaneled data sets by comparing the proportion of sub-national revenue to total public revenue, or comparing the proportion of sub-national expenditure to total public expenditure. Third, it is possible to construct indices to provide a common measure for variables within one category but with different measures (e.g. physical geography determinants). Finally, the positive approach is not a set of rigid procedures as proclaimed. Instead, one acknowledges problems associated with their datasets and use estimates to test one's hypotheses.

Another vital research was undertaken by Treisman (2006). He studied the effect of fiscal decentralization on geography (country size, ethnic fractionalization), economic growth, history, and politics/democracy. He addressed the main question: How well do the various factors explain cross-national differences in fiscal decentralization? Multiple regressions were the main statistical techniques used. The main dependent variables were measures of the subnational shares of state expenditures and of state revenues, averaged for 1993-5. The independent variables included country size, ethnic fragmentation, colonial heritage, economic growth, and democracy.

Using datasets from 66 countries, Treisman (2006) tested various hypothesis/theories about fiscal decentralization. He encounters data challenges, especially with ethnic division data. He use data compiled by Gunnemark (1991) on the share of the population that spoke a language other than the official language at home as a proxy, and the index of ethno-linguistic fractionalization constructed from data compiled by a team of Soviet anthropologists in the early 1960s. Even though the data was

criticized as out-dated, he still uses it because that was the only datasets available. For country size, Treisman (2006) uses both the log of countries' surface area and the log of their 1994 population. He creates dummies for colonial heritage. To measure economic development, he uses per capita GNP in purchasing power parity terms, as of 1995, as calculated by the World Bank. In assessing the effect of democracy on fiscal decentralization; he uses the Freedom House ratings of countries' political rights as of 1993-4. These scores, which range from 1 to 7, are based on the estimates of experts who rank countries on a checklist of specific aspects of political freedom. He adjusts his datasets so that 7 corresponds to completely democratic and 1 to completely authoritarian.

In his method, Treisman (2006) addressed problems of multicollinearity and heteroskedasticity. He acknowledges that only colonial heritage may be an exogenous variable, while the rest may be endogenous. For instance, ethnic divisions are often thought to affect the rate of growth and the prospects for democracy; country size may well influence whether a given state is federal while economic growth may even be affected by fiscal decentralization itself. He runs a series of regressions, starting with just the most exogenous geographical, ethnic, and historical variables, and gradually adding those relating to political institutions and economic development. By comparing how coefficients change across model, he makes some tentative inferences about paths of causation.

Treisman's (2006) results vary. The results for country size were strong and consistent across models. Territorially larger countries—but not necessarily more populous ones—tend to be more fiscally decentralized. Ethnic division was negatively correlated with fiscal decentralization, which was a deviation from the theory. Moreover, after more-detailed analysis, he finds that greater ethnic division tends to

slow economic development, while economic development leads to greater fiscal decentralization. Also, by controlling for ethno-linguistic division and country size, the results reveal that former colonies of Britain, France, and Russia, as well as countries never colonized in the modern era, were significantly more decentralized than former Spanish or Portuguese colonies.

The data, methods, and results used by Treisman (2006) provide valuable lessons for my research project. First, I have to acknowledge all limitations of my data and use proxies where necessary. While I might not face the same level of challenge Treisman (2006) faced with his 66 cross-country studies — especially because I use only Ghana as a case — there are still differences in datasets between districts and regions in Ghana. His approach to dealing with data limitation is therefore useful to my research. Second, multiple regression is a statistical technique I can use to capture the multiple factors that may contribute to fiscal decentralization (either IGF generation or even DACF transfers).

At this point, I shift the focus of the literature from cross-country fiscal decentralization analysis to within-country analysis. Here the empirical study I review is Mogues et al (2012). Their goal was to consider how efficient local governments are in the provision of public goods in Ghana¹⁸. The main question they address is: Do external grants to district government discourage own-revenue generation? To them, own source revenue is what defines a district's fiscal autonomy, and not revenue transfers from the central government (like DACF). To assess the internal revenue generation performance of districts, Mogues et al (2012) use three data sources.

¹⁸ Their study was premised on a pioneer theory that fiscal decentralization leads to efficiency in allocation of public goods and services (Tiebot, 1956; Musgrave, 1958; Oates, 1972)

First, they obtain panel data on local government public finances from the Ministry of Local Government and Rural Development (MLGRD). Districts' revenues were disaggregated by source (revenues from licenses, property taxes, external grants, etc.), while districts' expenditures were disaggregated by economic classification (expenditures on personnel, travel and transport, capital, etc.). The panel spans 11 years (1994–2004) and covers all of Ghana's 110 districts existent at the time of the study. While these datasets are available for 1994-2004, more recent datasets (2005-2012) are difficult to obtain. This is partly due to the creation of new districts from already existing districts, which add new observations to the panel datasets.

The other two main sources of data they use are Ghana's 2003 Core Welfare Indicators Questionnaire (CWIQ) survey and the 2000 Population and Housing Census, primarily used to identify district socioeconomic and demographic variables. The CWIQ has a sample size of over 49,000 households and the data are representative at the district level, enabling aggregation of household information to the district level. The Population and Housing Census data, which represents the sub-district level, also allow aggregation to the district level. In addition to data from these three primary sources, their research project uses data from the Ministry of Finance and Economic Development and the Controller and Accountant General's Department; data on the District Assemblies Common Fund (DACF), which were obtained from the DACF Administrator's Office; and district-level rainfall data from the Meteorological Services Department, all in Ghana. These diverse sources reveal the rich sources data available for my research project, even though more recent datasets (2005-2012) are difficult to obtain.

In their empirical analysis, Mogues et al (2012) employ basic statistical techniques to explore the characteristics of their datasets. They use a simple component bar graph

to show the trend (1994-2004) in relative percentage contribution of internal (IGF) and external sources (DACF especially) to total revenue of districts. The results reveal that there has been a gradual decline in the IGF component over a decade, from 46 percent in 1994 to 10 percent in 2004. They conclude that the result is not what one would expect in light of efforts to strengthen the fiscal position of district governments. Using a simple bar and line graph, they also display the absolute and per capita internal revenue generation per region in Ghana (from 1994-2004). Their results indicate higher absolute (550,000 Ghana cedis) and per capita (0.9 Ghana cedis) IGF for Greater Accra region in the South, while the remaining nine regions performed at less than half of Accra's IGF.

Mogues et al (2012) employ pie charts to show the detailed contribution of IGF components (rents, property tax, etc.) per region, and use cross tabulations to compare the relative contribution of IGF, DACF, and other grants to total revenue per region. Then using multiple regression analysis, they examine the factors affecting IGF performance. The dependent variable used was IGF for each district, while the independent variables include lagged external transfers (DACF and donor support) from the government, plus basic economic, demographic, social, and climatic characteristics of districts. Also, welfare and development features of the districts like poverty rate, the literacy rate, and average access to roads by households were used. Demographic district attributes include the degree of urbanization and population size and density; variables defined as the shares of Ghana's two largest ethnic groups (Akan and Ewe) and Christians in the district represent core social characteristics; and climatic conditions are measured by district rainfall. The authors also use Region dummies to control for region-specific effects, and the error term captured district unobserved effects. In terms of results, Mogues et al (2012) find that greater part of external transfers is significantly and negatively associated with local governments'

levels of IGF. Hence, MMDAs with higher externally generated revenues tend to have significantly lower levels of and slower growth in their internally generated revenues.

There are vital lessons from the positive approach of Mogue et al (2012) for my research project. First, they reveal diverse sources of primary/secondary data for my analysis. Second, in including the district characteristics, they account for the factors—not central to their research question—that may influence the size of district IGF through mechanisms other than the incentive effects of external grants and transfers. Another important input for my research is the possibility of using simple statistics like bar graphs, pie chart, and cross tabulations to analyze data. Even though district level data were used by Mogue et al (2012), they were aggregated to the regional level to reduce the level of complexity. Hence, the analysis did not capture district-specific revenue and expenditure situation. I work around this limitation by using averages of districts at the regional level for my analysis.

There have been other empirical studies addressing the effect of fiscal decentralization on economic growth. Mixed results are usually obtained in these studies. The first set of studies, usually based in China, found a negative or negligible relationship between fiscal decentralization and economic growth (Davoodi and Zou, 1998; Jin and Zou, 2005). These findings may be due to using datasets obtained at the early stages of implementing decentralization. At such early stages of policy development, the administrative capability of local governments is insufficient, local officials may not be responsive to preferences of local residents, and local governments in those countries may be constrained by central government. Also, local government may spend more on items with low growth effect such as social services (Gemmell et al, 2012). More recent studies find evidence of a positive relationship between fiscal decentralization and growth (Thiessen, 2003; Ebel and Yilmaz, 2002;

Thornton, 2007). One source of difference in results between the early, and recent, studies may be due to the fiscal decentralization measure used (Gemmell et al, 2012). Recognizing that high subnational spending and revenue shares do not necessarily reflect high local autonomy, and if *autonomy* is the key growth-enhancing characteristic of fiscal decentralization, then early studies probably overstated the degree of effective decentralization since some local revenues/expenditures are typically controlled or mandated by central governments.

On the other hand, recent studies have focused on a more restricted measure of fiscal decentralization: local government spending net of conditional or discretionary transfers (Ebel and Yilmaz, 2002; Meloche *et al.*, 2004) and local revenues over which subnational governments have some degree of control over the tax rate, the tax base, or both (Akai and Sakata 2002; Ebel and Yilmaz, 2002; Meloche et al., 2004; Thornton, 2007). Jin et al. (2005) use the marginal retention rate of locally collected revenue to reflect the degree of fiscal decentralization arguing that this captures the fiscal incentives for local government to promote local business development. Using these narrower measures of fiscal decentralization, a positive impact of fiscal decentralization on economic growth has found more support. These findings indicate the effect that a specific measure of fiscal decentralization may have on research outcomes.

Each of the literature discussed above draws on positive approaches to evaluating theories. While most of them relate directly to the discipline of geography, none of the authors are geographers. This may confirm the geographer's neglect of policy studies, but may also reflect the doubts cast by some in various cliques and specialisms in the discipline (from post-structuralist, Marxist, critical geographers, feminist, etc.) on the use of positive empirical approaches. My argument is that there

is nothing wrong in using such positive approaches in my research project as long as they help me address my research question(s). Already, I have pinpointed some valuable lessons that will serve as inputs from the literature I just discussed. When necessary, positive approaches should be complemented with normative approaches. At this point, I shift my attention to a normative understanding of theory in geography and how such approach can be used in my research project.

3.2.2 Normative Stance: Exploring Why Countries Implement Fiscal Decentralization

According to the *Dictionary of Human Geography* by Gregory et al (2009: 505), normative theory ‘is a theoretical claim that is prescriptive, saying what ought to be’. It expresses a judgment about whether a situation is desirable or undesirable, right or wrong, moral or immoral. Normative approach tells us ‘what ought to be’, instead of reporting ‘what is’. For instance, to say *the world would be a better place if aliens were in charge of fiscal policy designs and implementations* is a normative statement because it expresses a judgment about what ought to be. Notice that there is no way of disproving this statement. If you disagree with it, you have no objective way of convincing anyone that it is incorrect.

Normativity was ironically evident among pioneer economic geographers who advocated for positive approach to geography during the quantitative revolution (Gregory et al, 2009). For instance, location theory was underpinned by a set of ‘ideal’ assumptions (ought to be’s) such as an isotropic plain, uniform population density and perfect rationality. August Losch (1954:4 cited in Barnes, 2003), one of the principal architects of location theory, was perfectly clear about its normative character when he wrote: ‘the real duty of the economist is not to explain our sorry

reality, but to improve it. The question of the best location is far more dignified than determination of the actual one'. Normative thinking is as old as locational theories, even older.

Even though normative features were evident in economic geography, those features were only popularized in the early 1970s by Harvey (1974) and Olson (1978), who revealed evidence of normativity lurking in positive theories. As Trevor Barnes¹⁹ asserts "All theory is normative theory. Our values go all the way down, and we can no more escape them than avoid the smell of the air we breathe." (Encyclopaedia of Human Geography, 2009: 506). But are all theories or writings normative as Barnes and Harvey point out? Not necessarily, because such a suggestion renders the term 'normative' and its associated labels like 'right or left-wing values' meaningless. Such a response leaves everything much as it is (Olson and Sayer, 2009). It questions the very essence of the term 'normative'.

To play safe, some contemporary geographers acknowledge the positive and normative. Especially from the Anglophone world, they seek to go beyond mere description and explanation of the spatiality of social phenomena, by incorporating a normative-evaluative dimension (Simandan, 2011: 188). Notable among them are Clive Barnett (2008) in his work on *The Normative Blindspots of Nonrepresentational Ontologies*; David Gregory (2010) on *War and Peace*; and Doreen Massey (2008) on *When Theory Meets Politics*. These are critical geographers who consider value-based research as their right and obligation. However, critical geographers have also been criticized for their stance. Some scholars argue that critical geographers have either become increasingly reserved about making their critique, standpoints or rationales explicit, or even softened their critique by simply reflecting on issues (Barnes 1999; Wills, 2006). Another critique is based on the fact that critical geographers regularly

¹⁹ Barnes, a Professor in Geography at the University of British Columbia in Canada, was a contributor to the 2009 *Encyclopedia of Human Geography*

use terms like “oppressive”, “racist” or “exploitative” in their descriptions of social practices, but generally without saying why these things are bad (Olson and Sayer, 2009). Perhaps they just subjectively happen not to like them, or object only because they transgress local norms. Whichever reason provided, they go against their own stance, that ideas about good and bad are just “subjective” or dependent on one’s culture. So which normative stance is worth taking, if being extremely normative or adopting a critical evaluative stance has these limitations?

Lee and Smith (2004) offer a different suggestion of what kind of normativity geographers should focus on. In their introduction to *Geographies and Moralities*, they write:

The interesting questions which arise here concern not so much the distinction between the “moral” and the “immoral”, but how “moral” and “immoral” come to be defined, practiced and reproduced in distinctive ways across space and time (2004:7).

The emphasis here is the importance of understanding the historical production of social values and norms. Here, Lee and Smith (2004) suggest the use of methods like discourse analysis and other normative techniques to understand why certain phenomena are considered ‘moral’ while others are not. To be more precise, normative approaches like discourse analysis, helps uncover the sources of or reasons why a phenomenon is considered normal. As a point of departure for the next section of my literature review, normative theory can be used to understand why countries are compelled to implement fiscal decentralization, and its related question of why fiscal decentralization is held out as a good thing.

3.2.2.1 Why Countries feel compelled to implement fiscal decentralization: the Literature

It is not bizarre for fiscal decentralization literature to use terms like *revenue*, *expenditure* or *sub-national government*. Of course, revenue and expenditure form the very linguistic meaning of the term *fiscal*, while decentralization is basically about sub-national governance. However, when terms like equity, efficiency and accountability enter the forewords of the fiscal decentralization literature, then a normative stance will assert that there is more to the issue than the ‘dictionary meaning’ of fiscal decentralization. A more important observation in the fiscal decentralization literature is that developing countries/economies are usually classified as adopters of the policies, while the adoptees are the models based on the success accounts of advanced countries (World Bank, 2000; Smoke, 2001; Bardhan and Mookherjee, 2006). These ‘appropriate’ fiscal decentralization models are peppered with terms like equity, efficiency and accountability (Tiebout, 1956; Oates, 1972).

This peppering has impacted largely on developing economies. For instance, in a World Bank stocktaking survey in Africa by Ndegwa (2002), 13 of 30 countries surveyed showed high or moderate levels of decentralization as measured by a composite index of political, administrative, and fiscal devolution indicators. Another 13 countries showed at least some degree of decentralization, with several in the process of change. Although not all countries have fully revived decentralization, the survey revealed that no country in Africa today advocates a preference for the centralized state. Nearly all countries claim in one way or another to be decentralizing fiscal power, resources, and accountability to local levels. I wonder to what degree these countries’ representatives felt compelled to adopt fiscal decentralization so as to manage their identity as ‘a stable country’ to international lenders and investors. Yet,

as the literature indicates, the process of reform and results of recent decentralization are widely varied and the underlying processes not fully understood (Prud'Homme, 1995; Smoke 2001). Understanding the geography of the varying policy outcomes involves more than focusing on the technical analysis of empirically collected data, or scrutinizing the political and institutional state actors as evident in the public policy literature (Hills and Hupe, 1993; 2006), and a number of published papers on fiscal decentralization policies in Ghana (Ankamah, 2012; Ahwoi, 2010; Antwi-Bosiako, 2010; Banful, 2011). Such policies are not isolated from the rest of society. Cultural norms and trends, and the reactions of citizens and media may influence the course of public policy. Likewise, events of local, national and international significance will impact on the activities of policy makers.

I argue that Discourse Analysis is a methodology that offers a way of thinking about policy research which is not centered on institutions and implementation outcomes. Discourse Analysis creates the possibility of "detaching oneself from [the fiscal decentralization discourse], bracketing its familiarity in order to analyze the theoretical and practical context with which it has been associated" (Foucault 1986: 3). Discourse Analysis opens up the possibility of fresh insights into fiscal decentralization policies. For instance, Foucault's (1980) ideas on the production of discourse raise questions about the practices of government and how public policy is formed, shaped and reshaped, as opposed to institutional histories. Discourses Analysis has the potential to show the link between political rhetoric, and how discourses are created and maintained. Foucault's take on discourses is insightful when applied to the discourses on policy in the Third World²⁰. Advancing on Foucault's meaning of discourse, a vital

²⁰ Foucault provided two meanings of the term discourse. First, discourse includes all forms of representation and not merely written and spoken words. Second, discourse is not simply about something (fiscal decentralization, politics, efficiency) but constitutes that thing (Cresswell, 2009).

deduction for my research is that discourse is not about saying ‘yes’ or ‘no’, when asked a seemingly simple question such as: Is fiscal decentralization efficient or not? Foucauldian discourse analysis involves identifying why the question arises. It is about discussing why society makes any of the ‘yes’ or ‘no’ choices and the effect of the choices made (Huxley, 2009). Discourse is about examining why fiscal decentralization is a common theme in policy documents. It is about how and why sub-themes like efficiency, equity, and accountability exist in Ghana’s fiscal decentralization policy documents, if they do. Discourse analysis can help me address some unanswered questions in the fiscal decentralization literature. These questions include: why did developing countries adopted fiscal centralization in the first place? And now, why are they increasingly compelled to shift from fiscal centralization to decentralization? Since I did not find any fiscal decentralization research that deploys discourse analysis as method to address these questions, I shift my focus to the development discourse literature.

Specifically, I draw methodological lessons from Arturo Escobar, who utilized Foucault’s discourse analysis to address a set of development questions similar to the ones I raise²¹. Escobar (1995) addressed these three main questions: how did the industrialized countries of North America and Europe come to be seen as the appropriate models for post-World War II societies in Asia, Africa, and Latin

²¹ In 1994, Escobar published a paper titled “Discourse and Power in Development: Michel Foucault and the Relevance of his Work to the Third World” where he explained Foucault’s discourse analysis. He wrote: “Discourses, according to Foucault, have systematic structures, and they should be studied archeologically by identifying the different elements of which they are composed, and the system of relations by which these elements form wholes. More importantly, they should be studied genealogically. Genealogy is concerned with the effective formation of discourse by non-discursive practices, such as socioeconomic factors, institutions, administrative requirements, etc. The genealogist undertakes a diagnosis of a current situation by concentrating on the political technologies constituted by the interrelationship of contemporary forms of power and knowledge. The objective of his study are those practices of modern culture embodied in specific technologies, their localization in different discourses, institutions and disciplines, and the processes by which they arise and develop.” This is what Foucault calls “writing the history of the present.” His detailed studies of madness, medicine, the human sciences, the prison and sexuality are part of this history of the present.

America? How did the postwar discourse on development actually create the so-called Third World? And what will happen when development ideology collapses? He expressed his motivation to address these questions in his book *Encountering Development: The Making and Unmaking of the Third World* as:

Wherever one looked, one found the repetitive and omnipresent reality of development: governments designing and implementing ambitious development plans, institutions earning out development programs in city and countryside alike, experts of all kinds studying underdevelopment and producing theories and nauseam. The fact that most people's conditions not only did not improve but deteriorated with the passing of time did not seem to bother most experts. Reality- in sum, had been colonized by the development discourse, and those who were dissatisfied with this state of affairs had to struggle for bits and pieces of freedom within it, in the hope that in the process a different reality could be constructed (Escobar 1995: 5)

Escobar approaches the three questions through a discourse analysis of the components and relationships of what he calls “the three axes that define development”: its forms of *knowledge*; the system of *power* that regulates its practice; and the forms of *subjectivity* fostered by this discourse (Escobar 1995:10). The production of knowledge and the planning of development by western institutions is something that third world countries and regions find hard to escape. He argued that the process of western dominance, restructuring, and establishing authority progresses in three stages/axes (see page 157 of his work): First, the progressive identification of third world problems to be treated by specific interventions. This creates a "field of the interventions of *power*." Second, is the professionalization of development; the recasting of political problems into neutral scientific terms (poverty indicators, for example), leading to a regime of truth and norms. This creates the "field of the control of *knowledge*." Third, is the institutionalization of development to treat these ‘problems’, and the formation of a network of new sites of power/knowledge that bind people to certain behaviors and rationalities. These behaviors and rationalities are

what societies accept as *truths*. Clearly, Escobar (1995) adopted his discourse analysis approach from Foucault's triangulation of the key components in a given discourse: *knowledge, power and truth*.

Throughout his book, Escobar employed diverse forms of discourse analysis. The specific analytical methods he employed vary from historical references, case/country specific illustrations, a cultural critique of economics and institutional ethnography. Even though in some cases, he draws on his personal ethnographic study in Colombia during and after his PhD fieldwork²², he makes reference to empirical-based literature of other post-development scholars when advancing his arguments. After providing a brief historical overview of the professionalization of development knowledge, he uses the communities of Nepal and Papua New Guinea to illustrate his argument

²² Arturo Escobar was born in Colombia in 1952 but migrated to the USA. In 1978 he enrolled in an interdisciplinary PhD program at Berkeley, arousing his interest in the social sciences and questions of power, international development and planning. Doctoral work, which included a year of fieldwork in Colombia, saw early expression in a brilliant article published in the Indian journal *Alternatives*, where he applied Foucault's notions of power to the study of international development (Escobar 1984). His theoretical argument - that development should be seen as a discourse of power and control - was new and challenging, and by the early 1990s Escobar was established as a leading thinker among a strong group of 'post-development' theorists (Escobar, 1992, Rahnema and Bawtree 1997). In 1989, Escobar moved firmly into the discipline of anthropology, and became the Kenan Distinguished Teaching Professor of Anthropology in 2000. Escobar's major monograph, *Encountering Development* (1995) - an elaboration of the work he had been conducting since the 1980s - elevated him to the status of post-development icon. For many critics today, development has reached an impasse. Escobar and the post development theorists have built upon the work of many others to expose how "...development was shown to be a pervasive cultural discourse with profound consequences for the production of social reality in the so-called Third World." (Escobar 2000:11). In his later work, Escobar has begun to look beyond the failures and limitations of state, market and international aid, to a form of social change led by new social movements. This second strand to Escobar's work emerged in the mid-1990s, when he conducted a year of fieldwork on the Pacific coast of Colombia, the first of several periods during which he worked with Afro-Colombians (descendants from African slaves brought to mine gold) and their activist organizations and networks in the region (Escobar 1996). The coast is a hot-spot of biological diversity, and home to rights movements with a strong sense of place and territory, and Escobar's research traverses his belief in the power of these place-based social movements as alternatives to national and western development efforts. Some of his work in this region of Colombia is, therefore, framed in the language of political ecology, and geographical concepts of place and territory are critical to his analysis (Escobar 1996, 1998, 2001).

(page 53). In his third chapter, he employs a cultural critique of economics via the discourse of development economics using what he calls “the anthropology of modernity” (61). Here, he draws on the work of Gudeman and Rivera (1990) to make his case. In chapter four, Escobar uses institutional ethnography as a means of understanding the massive development programs established by World Bank, United Nations, and several universities. He does this by “investigating how professional training provides the categories and concepts that dictate the practices of the institution’s members and how local courses of action are articulated by institutional functions” (109). Escobar extends his analysis in chapter five by focusing on the regimes of representation that underlie constructions of peasants, women, and the environment (155). He explores the contradictions and possibilities inherent in the processes of integrated rural development, incorporating women into development, and sustainable development.

This brief contour mapping of Escobar’s specific approach to discourse analysis reveal how complex but flexible discourse analysis can be. His anthropology of modernity relies on ethnographic approaches that look at social forms as produced by historical practices combining knowledge and power; and that seek to examine how truth claims are related to practices and symbols that produce and regulate social life. His deconstructionist approach (Sachs, 1992) analyzes the central constructs or key words of the development discourse, such as market, planning, population, environment, production, equality, participation, needs and poverty. Because of his anthropological background, he placed emphasis on ethnographic research. In his literature review, he cites a group of Swedish anthropologists who focus their work on how the concepts of development and modernity are used, interpreted, questioned, and reproduced in various social contexts in different parts of the world. One

example is Pigg (1992) in her work on the introduction of health practices in Nepal, where she deployed local ethnographies on development and modernity for analysis.

These diverse ways of doing discourse analysis supports the assertion of Lees (2004: 104), that discourse analysis is “something like bike riding...which is not easy to render or describe in an explicit manner.” Even though Escobar was an anthropologist, he made some valuable contributions to the discipline of geography.

3.2.2.2 Arturo Escobar's Contribution to Geography and its Relevance to Understanding Fiscal Decentralization Policies in Developing Countries

I am not the first geographer to use Escobars' work to guide my research project. Some geographers have used his analysis as a point of departure for studies on social movements and development alternatives, even though some are also critical of his work²³. His work relates with geography in at least three ways.

First, the ideas expressed in *Encountering Development*, for example, highlight some of the spatial outcomes of the hegemonic 'development' discourse since colonial times (Batterbury and Fernando in Kitchin et al, 2004). As earlier discussed, the questions raised by Escobar are similar to the question of why developing economies are compelled to adopt fiscal decentralization. His normative analysis of the development discourse using Foucault's is a great methodological guide to addressing my research question. I have learnt that historical references, case-specific illustrations, institutional ethnography, critical ethnography, critical language analysis, tracing genealogy from

²³ Many geographers like Sundberg (1998), Adams (1990) Bebbington (1996, 1997), Bebbington and Thiele (1993) Price (1994), Zimmerer (1993) have been inspired by Escobar's works to look at micro-level social movement and NGOs activities in localities of Latin America, where he conducted his studies. However, Escobar's words have been described as purposely harsh or provocative because they suggest an instrumental aim lying behind a universal (Western) paradigm in which many people, including western geographers, are complicit (Batterbury and Fernando, 2004).

the present, and even fieldwork are specific ways of doing discourse. I select some of these methods to guide my discourse analysis.

Second, Escobar contributes to understanding local geographies and sense of place, perhaps because of his anthropological stance. The alternatives Escobar favors are the responses of indigenous/autonomous social movements, and localized strategies of development, rather than the radical overturning of western-dominated geopolitical relations by the state at a macro level, as was proposed by earlier dependency theorists. He argued that criticism of the ‘mainstream’ can translate into viable alternatives, where new social movements emerge to create new conversational communities. He uses the case of U’wa indigenous group in Colombia who have mobilized against the Colombian government and Occidental Petroleum to oppose oil exploration (Harcourt and Escobar, 2002). Escobar argue that “the struggle for territory is thus a cultural struggle for autonomy and self-determination. This explains why for many people of the Pacific, the loss of territory would amount to a return to slavery or, worse perhaps, to becoming “common citizens” (Escobar 2001: 162). Social movements are therefore intimately linked to local geographies; culture resides in places, even under conditions of mass globalization. Perhaps, if these movements are effective, then they can be an invaluable tool to use to undermine fiscal decentralization policies in Ghana, if inequitable, inefficient and less accountable than the dominant knowledge/theory claims.

Third, when addressing matters of nature and the environment, Escobar makes further claims which are of interest to geographers working in the interdisciplinary field of political ecology (Escobar, 1999). Escobar’s arguments revolve around the view that much of nature is now artificially produced and deeply linked with technology and social relations, and that these relationships are “hybrid and

multiform” (Escobar 1999: 1). He defines political ecology as “the contingent study of the manifold articulations of history and biology and the cultural mediations through which such articulations are necessarily established” (1999:3). His definition captures the concerns of ‘realists’ geographers interested in the material transformations of the natural world by human actions (the majority of political ecologists are geographers) and those who perceive nature as a historically and socially constructed category. I argue that his definition serves as a unifying platform for the many different cliques and specialisms in the discipline of geography. Of course, there is nothing wrong with alternating between the ontological position of a ‘realist’ and ‘social constructionist’ in a single research project if each position help address a research question. In the same way I combine quantitative analysis of fiscal data (material/positive approach) with an interpretivist discourse analysis of fiscal decentralization (based more on normative approach).

Having discussed extensively how discourse analysis can be used to understand why fiscal decentralization is held out as a good thing in third world countries, I now focus on the final part of my review, which involves developing a conceptual framework for my research project. The framework draws lessons across the literature discussion covered so far in this chapter.

3.3 Conceptual Framework

A point I have already highlighted and re-emphasized is that getting policy makers to rethink or reconsider fiscal decentralization policies involves more than scrutinizing the policy designs. It requires an understanding of the material and immaterial foundations of the whole concept of fiscal decentralization, and evaluating its

practicality over time. That is why I raised and reviewed two main questions in the literature. To reinforce these vital questions, I raise them again. First, does fiscal decentralization work, and the related epistemological question, how do we know it works? Second, why do countries feel compelled to implement fiscal decentralization, and the related question, why is fiscal decentralization held out as a good thing? My conceptual framework is built on these two main questions, as well as lessons from the literature addressing those questions.

Specifically, I develop a framework that encompasses the building blocks of research presented by Grix (2002). In his paper titled *‘Introducing Students to the Generic Terminology of Social Research’*, Grix (2002) presents the interrelationship between the core concepts of social science research, namely ontology, epistemology, methodology, methods and sources. Understanding of these basic but relevantly related concepts helps students like me – and all in academia – to engage in constructive dialogue and criticism of each other’s work. In his work, he presented a simple step-like framework about how a researchers’ ontology, affect his/her epistemology, methodology, methods and even data. I modified his simple framework into two distinct step-like research paths, with each path addressing one of the two questions of my research project (see figure 3.1). The question ‘does fiscal decentralization work?’ has been usually addressed by more conservative positive-stance researchers, while the question ‘why are countries compelled to implement fiscal decentralization/why is fiscal decentralization held out as a good thing?’ has been addressed by normative-stance researchers. The core concepts of social science research —ontology, epistemology, methodology/method, and data —are viewed or employed differently by each of the two research cliques.

A researcher's ontological position is their answer to the question: 'what is the nature of the social and political reality to be investigated?' (Hay, 2002: 63). Examples of ontological positions are 'realism' and 'social constructivism'. For social science, broadly speaking the former is 'an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors'. The latter, on the other hand, is an alternative ontological position that asserts that social phenomena and their meanings are continually being accomplished by social actors (Bryman, 2001). From figure 1, while positive-stance researchers view fiscal decentralization as objective, or real and therefore concern themselves with the question of whether that reality (FD) is materializing or achieving its goals; normative-stance researchers believe that FD is socially constructed and therefore a way to understand it is to deconstruct it or even ask why countries are compelled to implement that policy in the first place.

If ontology is about what we may know, then epistemology is about how we come to know what we know. Two contrasting epistemological positions are those contained within the perspectives 'positivism' and 'normative/interpretivism'. These terms can be traced back, and illuminated by reference to, specific traditions in the philosophy of social sciences (Grix, 2002). Broadly speaking, the former 'is an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond'. The latter, on the other hand, can be seen as an epistemological position that 'is predicated upon the view that a strategy is required that respects the differences between people and the objects of the natural sciences and therefore requires the social scientist to grasp the subjective meaning of social action' (Bryman, 2001: 12–13). As indicated in figure 1, positive-stance researchers know whether FD is materializing or achieving its goals by adopting the positive approach, while adopting the normative approach helps a normative-stance researcher

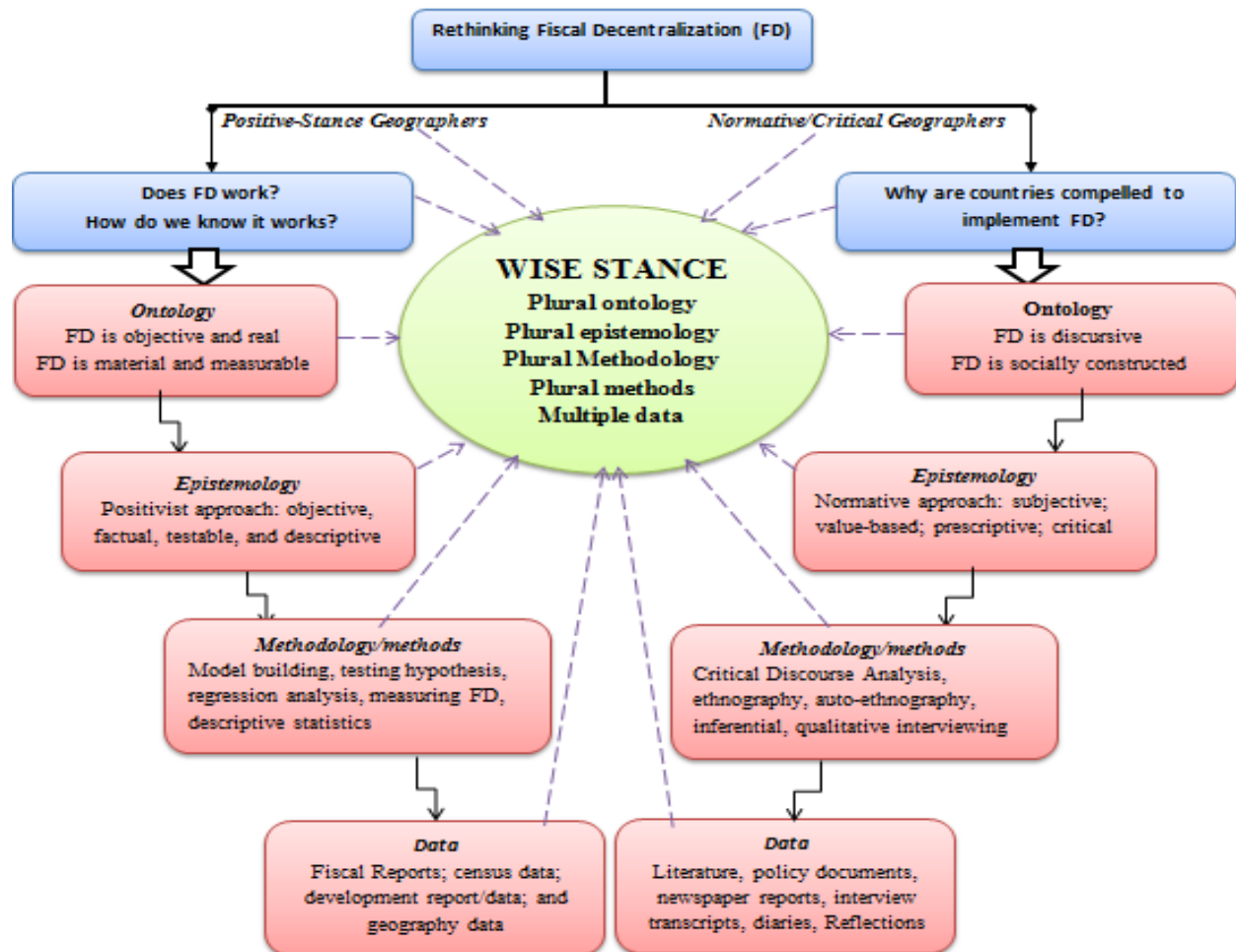
to know why fiscal decentralization is held out as a good thing. It is clear that choosing one of these distinct epistemological positions will lead one to employ a different methodology, method and data than one would otherwise, were one to choose the other. Positivists want to develop models, test hypothesis, use regression analysis, look at the facts and figures from policy reports and draw conclusions. Normativists (including critical geographers) will like to analyze discourse so as to reveal the powers that define FD as knowledge, and how such knowledge becomes the truth (norm). Therefore, it is clear to see how a researcher's ontological and epistemological positions can lead to different views of the same social phenomena of fiscal decentralization.

Since I address two different questions in this research project, opting for a positive or normative research stance alone will not serve my purpose fully. I can only explore one of the questions at best by adopting either of the stances (see figure 3.1). That is, assuming the stance of normative may help me review the socially constructed nature of fiscal decentralization, and even reveal how developing economies are oppressed by these policies (as critical geographers do). But what if there is no oppression? Or what if fiscal decentralization has been more efficient, equitable or accountable? The only way I can prove that is to look at the material evidence by employing positive approaches.

Really then, 'a wise' stance for me will be one that is based on plural ontologies, epistemologies, methodologies, methods and data; one that does not esteem the normative above the positive approach but consider all as relevant to addressing my research question. The wise stance has a strong prescriptive component. However, unlike the normative stance, it is more conservative, it builds on time-tested

knowledge, it acknowledges the value of tradition and of past experience (Simandan, 2011: 190; Baltes and Smith 2008).

Figure 3.1: Conceptual Framework for Rethinking Fiscal Decentralization Policies



Source: Adapted from Grix (2002) and Simandan (2011)

Simandan (2011:191) in his paper on the “Wise Stance in Human Geography” pointed out (based on Brown’s argument)²⁴ that the wise stance is ‘more mature and more comprehensive stage in one’s path of intellectual and moral development within the

²⁴ Brown (2005) argued that true wisdom presupposes the critical stance while the critical stance does not presuppose true wisdom. In fact, the critical stance is even critical of the nature of true wisdom

critical stance'. Therefore, while I want to be critical, I do not ignore some traditional quantitative approaches to understanding fiscal decentralization; neither do I totally dismiss fiscal decentralization as a relevant policy. That is what I achieve by using the wise stance in addressing fiscal decentralization policies in Ghana.

CHAPTER FOUR

METHODOLOGY

4.1 Introduction

The purpose of this chapter is to discuss the methodology of this research project. The term *methodology* is loosely used to refer to methods, rules, formal theories and postulates (Irny and Rose, 2005; Carter, 2007). For the purpose of my research project, I adopt a more specific meaning of the term; one originally expressed by Kaplan. He defined methodology as “the study-description, the explanation, and the justification-of methods, and not merely the methods themselves” (Kaplan cited in Carter, 2007; 1317). Therefore, I describe, explain, and justify my choices of methods used to examine fiscal decentralization policies in Ghana. I also include and justify my selection of data sources, sampling techniques and research methods.

I employ mixed methods by combining discourse analysis of policy documents and quantitative analysis of empirical data. I was inspired to make these choices by this interesting quote by Hidding et al (2000:129):

Each of us – academics, policy makers, politicians – tends to think within a discourse. But we do not need to be imprisoned within it. Moreover, being made aware of what we have been taking for granted...can be liberating, academically and politically.

Inspired by this quote, I combine discourse analysis and quantitative analysis (analytical statistics like regression analysis) to explore the two main questions of this research project. First, is fiscal decentralization working for Ghana? Second, why was Ghana compelled to implement fiscal decentralization in the first place? Addressing the first question involves analyzing the material evidence using the positivist approaches. The positivist approach (involving empirical model building and statistical (regression) analysis) is the common (and traditional) approach in the

fiscal decentralization literature. To address the second question, I use discourse analysis and therefore assume a normative stance²⁵ by presenting myself as an ‘ontological constructivist’ and ‘epistemological interpretivist’. Ontologically, I acknowledge that the applicability of fiscal decentralization policies is fluid, and constantly revised by social actors. My interpretivist epistemology enables me to use some value-judgments to address my research questions. These two differing stances position me in ‘a wise’ stance (Simandan, 2011; see figure 3.1). I therefore develop a methodology by building on the plural ontologies and epistemologies that characterize the ‘wise stance’ (see conceptual framework in chapter three).

4.2 Documentary Quantitative Research

This section involves quantitative analysis of data gathered from the documentary records of fiscal decentralization at the national, regional and district levels. The purpose of this analysis is to determine whether fiscal decentralization policies in Ghana actually work or not. I achieve this by checking the overall internal consistency of Ghana’s fiscal decentralization arguments. These arguments parallel the theory that fiscal decentralization enhances efficiency, accountability and equity.

Documentary research is actually not a ‘method’ in the way that discourse analysis or ethnography are. Instead, it focuses on using specific data generated in the past and stored in archives to address research questions (Gidley cited in Seale, 2012). Once the required data are collected, a researcher uses a variety of methods to analyze such datasets with his ultimate objective in mind. In my case, I opt to use descriptive and analytical quantitative methods—from simple descriptive techniques averages and

²⁵ Refer to chapter three for details of the normative stance

location quotient, to complex statistical analytical techniques like multivariate regression. I opt for these methods because, as already discussed in my literature review chapter, most authors addressing similar research questions employ the same statistical tools for their analysis. As Gidley (2012) indicates, a vital step in approaching documentary research is to explore and discuss your data sources. Therefore, I discuss my data sources, and issues of validity and reliability of the selected documents and sources.

First, let me clarify a methodological debate around documentary research. Here again, the debate is between the two main research stances discussed in my literature review section: positive/realist stance and normative/social constructivist stance. The positive stance takes the archival documents as *resources*, while the normative stance considers the documents as a *topic*²⁶. First, I adopt the positive stance and therefore consider the available documented reports on Ghana's fiscal decentralization as resources for understanding whether fiscal decentralization in Ghana actually works or not. Later in my Critical Discourse Analysis section in this chapter, I treat these documented reports as topics.

4.2.1 *Data Sources for Documentary Analysis*

I collect my documentary records from three main sources. First is a relatively long panel of data on Ghanaian local governments' public finances, obtained from IFPRI²⁷. The datasets consist of MMDAs' revenues which are disaggregated by source

²⁶ Postivists consider documentary records as *real* and given, that serves as evidence in answering research questions while the normative stance consider such documents as realities, and not a means to understanding some reality. As a result, normative approach seeks to understand the underlying social constructions that produce such documents (Silverman, 1993; Seale, 2012)

²⁷ I obtained these data through a formal email request for the datasets send to IFPRI. About two months after request, IFPRI sent an email response along with the datasets.

(revenues from licenses, property taxes, external grants, etc.), and MMDAs' expenditures by economic classification (personnel, travel and transport, capital). The panel spans 11 years (1994–2004) and covers 110 MMDAs existent at the time the data was gathered. Since then, the number of MMDAs in Ghana has grown as a result of administrative rearrangements. The datasets were initially compiled for research on fiscal decentralization and public investment in Ghana. They were compiled from administrative data sources of the Ministry of Local Government, Rural Development, and Environment (MLGRDE) of Ghana, Inspectorate Division (under the then-leadership of Mr. Johnson Alifo). IFPRI obtained some of the data directly from the Ministry, while other parts of the data had been previously obtained from the Ministry by researchers at the Institute for Statistical Social and Economic Research (ISSER) in the University of Ghana, Accra.

In checking the validity and reliability of such archived datasets, Scott (1996:6) suggested four criteria namely *authenticity* (is the datasets genuine?), *credibility* (is the datasets undistorted?), *representativeness*, and *meaning* (is the evidence from the archives clear and comprehensible?). The IFPRI dataset is representative because it covers all 110 administrative MMDAs of Ghana during the period it was gathered. It is also meaningful for my research project since it contains clear statistical figures on revenue and expenditure performance of MMDAs, which is required to evaluate fiscal decentralization in Ghana. Even though it is not exhaustive (since it does not contain more recent datasets from 2005-2012), it provides detailed MMDAs fiscal data dating back to the very first year (1994) fiscal decentralization was implemented in Ghana. That will serve as a starting point of evaluating the efficiency of the MMDAs. In terms of authenticity, IFPRI gathered majority of the datasets from MLGRDE, which is the authority in Ghana responsible for compiling fiscal data across MMDAs. Also,

the fact that IFPRI consulted the Inspectorate Division (which is an External Auditing team of the final fiscal accounts) shows some level of reliability. Additionally, these datasets have been used and published by scholars, graduate students and institutes within or even outside Ghana²⁸, and therefore increases its recognizability. However, I acknowledge that the datasets are secondary, “raw” data, compiled and organized by IFPRI staff from both electronic sources, as well as from hardcopy sources available only in Ghanaian government physical archival records. There may be human errors during the compilation by IFPRI, or even the initial production of these documents by the Ministry. Also, the values in the dataset obtained from IFPRI were denoted in ‘old’ cedi, not the new Ghana cedi (GHC), which was introduced in July 2007. I transform the figures using the new Ghana cedi equivalent²⁹.

In terms of more recent datasets on fiscal decentralization (2000-2012), I compiled them on my own. I obtained some of the datasets by personally visiting MMDAs offices in Ghana in the early months of 2011³⁰. Others were obtained through email correspondence with the Office of the MLGRD. Some recent fiscal datasets were accessed through external audit fiscal reports publicly published and available online. Also, the District Assemblies Common Fund (DACF) datasets were obtained from

²⁸ Recently published papers by Banful (2011), Mogues (2012), as well as a recently approved graduate thesis by Maeregu Kazentet (2011) of Kwame Nkrumah University of Science and Technology, Ghana, and Issah (2011) of Institute of Social Studies, Netherlands, used similar IFPRI datasets. However, their agendas differed from what I seek to achieve in this research project.

²⁹ One new GHC is equivalent to 10,000 ‘old’ cedi

³⁰ I visited some selected MMDAs to obtain some of the datasets. Since financial data at the local government level are considered ‘sacred’, I had to provide an academic authority note to the Secretary of the District/Municipal Chief Executive (DCE), book an appointment to discuss the data I need with the chief at his convenience. After approval from the DCE, the data request form is sent to the appropriate department (the Budget Office, Planning Department, as well as the Finance office). Even after seeking the consent of the DCE/MCE, some departments refused to release the data I requested. I therefore had to choose other MMDAs. This explains why graduate students are reluctant to engage in analysis of more recent datasets. However, I still make my case with the limited datasets I gathered. Even though the districts were selected randomly, the ones I include in my final analysis were dependent on access to financial records. This may create non-response bias in my results.

the DACF Administrator's Office. Presidential election results for 2004, 2008, and 2012 were obtained from the Headquarters of the Ghana Electoral Commission in Accra Ghana via email. The election results data were compiled from various documents supplied by the Research and Monitoring Department of the Electoral Commission. While these datasets may be relatively reliable because I compiled them on my own, I have no control over the reliability of the data gathered initially. Moreover, some of the MMDA-level data I gathered is not representative of the entire MMDAs, which totaled 216 in 2012. Notwithstanding, these more recent datasets, and the ones I collected from IFPRI are vital in my quantitative analysis.

The other two main sources of data are Ghana's 2003 Core Welfare Indicators Questionnaire (CWIQ) survey, and the Population and Housing Census (2000, 2010) which are used primarily to identify district socioeconomic and demographic variables in Ghana. CWIQ is a standardized survey of core welfare indicators comprising a sample of 49,003 households nationwide, with at least 405 households randomly drawn from each of 110 administrative districts of Ghana existing at the time of the survey. The data are representative at the district level. The survey was conducted by the Ghana Statistical Service with methodological and financial support from the World Bank. Additional district- and household-level data were collected from other sources, including the 2000 and 2010 Ghana Population and Housing Census (Ghana Statistical Service 2005). Just like the IFPRI datasets, and the one I compiled, these sources may have reliability and validity issues. However, they are representative and meaningful in assessing issues of equity and accountability in fiscal decentralization at the MMDA level. Having discussed my data sources, I now focus on how to use these to verify the theoretical appeal for fiscal decentralization.

4.2.2 Propositions and Analytical Framework

I verify two key propositions using the documentary records gathered;

- Proposition 1: *Fiscal decentralization improves internal revenue generation (IGF) performance among MMDAs in Ghana*

Examining proposition 1 is a vital starting point of my analysis because it deals with MMDAs' fiscal independence status. Even though a substantial share of MMDAs revenues is made up of DACF transfers from the central government, what MMDAs generate internally (IGF) is a more important measure of fiscal decentralization. This is because while DACF funds tend to be tied to particular projects or sectors, IGF are used in a completely flexible manner by the MMDAs. In this sense, MMDAs fiscal autonomy is intimately tied to their ability to generate their own resources. The more efficient MMDAs are in generating IGF, the more autonomous their revenues and expenditures (Mogues et al, 2012; Issah, 2011). This relates with the efficiency theory.

There are many different ways that MMDAs IGF performance can be analyzed. Gill (2000) suggested some different analytical approaches. These include:

1. *Measuring total revenue against GDP*: This is used for comparing countries with similar economic and tax structures and gives relative effectiveness of the revenue administration. A country which collect more taxes than another is considered to have an efficient revenue administration simply because both countries have similar economic and tax structure. Since I am dealing with different MMDAs with varying economic base, this is not a good measure of IGF performance for this research project.

2. *Measuring actual revenue against estimated revenue:* this evaluation approach does not address coverage in terms of potential tax payers but is commonly used in Ghana³¹ and most developing nations. If actual revenue is almost equal to, equal to, or better still greater than expected revenue, then the revenue performance is ‘good’.
3. *Amount of revenue paid voluntarily against total revenue collected:* This indicates voluntary compliance of the tax payers and used to evaluate tax payers’ perception of their civic rights and responsibility. Tax payers voluntarily comply with their tax obligations when they perceive an efficient tax administration system in their jurisdiction (in terms of proper accountability to the public). ‘Ceteris paribus’, the more taxes are paid voluntarily, the more efficient the tax systems are. Since there are no reports in Ghana that capture taxes paid voluntarily within MMDAs, this analytical measure is not an option for this research project.
4. *Tax-payers’ perceptions:* This is a qualitative indicator of the perceived integrity, trustworthiness and efficiency of revenue administration. The better the perception of tax-payer, the more effective the revenue administration of a jurisdiction is, all things being equal. Considering that I did not actually interview tax-payers, this measure was not used.
5. *Cost/benefit ratio:* This is the ratio of cost of administering the revenue as against revenue generated. The cost-benefit ratio is calculated as total annual expenditure of the authority expressed as a percentage of the revenue collected in the given period. It also shows per unit cost incurred against a unit of revenue generated and could be one of the best indicators. When cost exceeds benefits, revenue generation is inefficient, all things being equal. It is assumed to be the primary indicator used to estimate efficiency of revenue collection. Data for this measure is not available in Ghana, hence not an option for this research project.

³¹ A number of researchers have employed the comparative potential and actualized revenue approach to compare IGF performance in Ghana. These included former MSc thesis candidates Maeregu Kazentet (2011) of Kwame Nkrumah University of Science and Technology, Ghana and Issah Abdul-Basit (2011) of Institute of Social Studies, Netherlands.

Taking into consideration the available data, my analysis uses the actual IGF collected against estimated or planned revenue/IGF, which is second on the list of approaches discussed by Gill (2000). This analysis involved the use of more recent datasets I personally compiled. To establish the context of analysis, I evaluate MMDAs IGF performance using old datasets gathered from IFPRI. My evaluation involve comparing what MMDAs were able to generate internally (IGF) to external transfers (DACF) over time. Here, MMDAs poor IGF performance is indicated by a decreasing proportion of IGF relative to DACF over time.

Additionally, I employ a geo-statistical tool — the distribution quotient³² —to compare the relative spatial distribution of IGF performance in Ghana by regions. The concept of distribution quotient is originally used to measure the degree of an activity or a phenomenon in a given physical area, but have been used by some scholars to evaluate fiscal performance of local government across space (Issah, 2011). In this research project, I use the concept to measure the degree of IGF concentration among populations of different regions. The distribution quotient can be calculated by dividing the percentage of IGF mobilized in a particular region by the percentage of total population for that region: Thus: $DQ=Y/X$: where,

Y is % share of IGF per region, and
X is % share of population of each region.

Relatively higher degree of IGF performance can be found in MMDAs of those regions with DQ greater than unity.

³² An alternative to the distribution quotient is the location quotient (LQ), which is usually used to measure the concentration of economic activities (e.g. industries) in a specific area (e.g. .region) relative to a base area (e.g. nation).

- Proposition 2: *Fiscal decentralization improves equity in funds disbursement*

Two key components of effective fiscal decentralization in Ghana are equity and apolitical transfer of DACF from the central government to MMDAs. The goal is to ensure that individuals within each jurisdiction enjoy a fair share of the country's resources³³. Therefore, my analysis of *equity* will involve a careful evaluation of the theoretical formulae for disbursement of funds (DACF) from the central government to each MMDA. I explore whether the percentage of funds disbursed to each of the four factors (Needs, Responsiveness, Service Pressure and Equality factors) actually reflects equity or not (i.e. Equity in terms of whether the formula actually favors disbursement of funds to MMDAs which have more need for such funds). Equity in fiscal decentralization also involves the apolitical transfer of DACF from the central government to MMDAs. I therefore employ multivariate regression analysis to determine whether politics (election results) affect DACF transfers or not. My regression analysis involves the use of the more recent datasets I compiled since some scholars have explored evidence of political interference in DACF transfers in Ghana using the old IFPRI datasets (1994-2004)³⁴. So as part of my second proposition, I use multivariate regression to determine if politics interfere in revenue transfer from central government to MMDAs.

³³ According to Fynn (2011), the four main factors that are applied in sharing funds amongst the districts include: Equality: This ensures that the assemblies have access to specified funds. It involves a straightforward division of a portion of the fund by the total number of MDDAs in Ghana. Need Factor: this factor is meant to address the current imbalances in development. It involves health, education, water and road indicators. Responsive Factor: This is designed to motivate the MMDAs to generate and collect more internal revenue. Therefore, a percentage increase in MMDAs owned-source revenue will cause an increase in the responsive factor of the DACF. Service Pressure Factor: This to assist in improving existing services, which as a result of population pressures are deteriorating faster than predicted

³⁴ Banful (2011) pointed to changes in the weights as evidence of politically motivated targeting in the DACF transfers. Equality became more significant than equity after a changeover in government in 2004. She added that this is because politicians capitalize on the equality factor to transfer more funds to their target regions by simply creating more districts.

4.2.3 *Multivariate Regression Analysis: DACF Disbursement Determinants*

Using multivariate regression analysis to evaluate factors affecting revenue transfer in Ghana is not new in the literature, as discussed in the previous chapter. In the case of Ghana alone, I find two recently published research papers using the same methodological approach³⁵. My analysis fills three gaps in such empirical studies. First, I employ more recent data sets from 2004-2012, since both papers have covered extensive analysis from 1994-2004. Second, I conduct my analysis at a different geographical scale (I use average of MMDAs per region). While I acknowledge that such a scale will conceal some potentially relevant district-level data, it allows me (as a geographer) to identify how differences in the regional geographical scale may produce varying results³⁶. Third, I combine independent variables of DACF used in both Banful (2011) and Mogue (2012), and also stress the geography of these variables in my results and discussion.

Typically, the difficulty in constructing a regression framework for central government transfers to lower administrative levels is that it is unclear how the allocation decisions

³⁵ These two papers are authored by Mogue et al (2012) and Banful (2011).

Mogue et al (2012) uses rich panel data on all of Ghana's districts' local public finances over from 1994-2005 to investigate the way that intergovernmental and other transfers to local governments affect local governments' incentives to collect internally generated revenues and funds (IGF). The two main predictor variables used in their analysis are public financial variables and core district characteristics. Public financial variables used are basically DACF transfers. The core district characteristics is made up of basic economic, demographic, social, and climatic characteristics of district *i*. Specifically, economic features, reflecting economic welfare and development, are the district poverty rate, the literacy rate, and average access to roads by households in the district; demographic district attributes include the degree of urbanization and population size and density; variables defined as the shares of Ghana's two largest ethnic groups (Akan and Ewe) and Christians in the district represent core social characteristics; and climatic conditions are measured by district rainfall. The authors also introduced a composite error term to control for district unobserved effect and an idiosyncratic disturbance.

On a more related study, Banful (2011) studied evidence of politically motivated targeting in DACF transfers at the district level from 1994-2004. Her dependent variable was log per DACF disbursement, and the predictor variables included politics (measured using either number of district vote per winning party, or creating dummy variables for win and loss between the two main political parties), and district wealth measure (number of schools as a measure of development or equity).

³⁶ This is an example of the Modifiable Areal Unit (MAU) problem

are made. In the case of DACF, this problem is eliminated because the formula for determining each district's allocation and hence the right functional form of a regression model is known. Theoretically, a number of factors determine the disbursement of the DACF per region at time t (**DACF_{RT}**). Four of these factors are captured in the formulae for the disbursement. According to Fynn (2011), the four main factors that are applied in sharing the fund among the MMDAs include³⁷:

Equality (60%): This factor ensures that the MMDAs have access to specified funds. It involves a straightforward division of a portion (after deducting reserves) of the fund by the total number of MMDAs in Ghana. Because my analysis is at the regional level, I determine the actual disbursement per region by multiplying the average DACF per MMDAs (after applying the equality factor) by the total number of MMDAs per region over time. This factor is represented as $b_1Equality_{R,t}$ in my regression equation.

Need Factor (35%): This factor is meant to address the current imbalances in development. It involves access to health, education, water and road indicators. Because actual counting of these indicators and creating an index for them is an entire research on its own, I use CWIQ datasets to rank the regions from 1 to 10 for each development indicator, where 1 represent the region with the least need and 10 represent the region with the greatest need (see appendix III for details)³⁸. The need factor is represented as $b_2Needs_{R,t}$ in my regression equation.

³⁷ To give readers a fair idea of the make-up of the DACF disbursement formulae, I indicate in parenthesis the average percentage of funds disbursed per factor from 2004-2012.

³⁸ My ranking of MMDAs may affect the outcome of my regression model. However, since data on the needs factor index was not obtained, I made use of the only available data.

Responsive Factor (3%): This designed to motivate the MMDAs to generate and collect more internal revenue. Therefore, a percentage increase in MMDAs owned-source revenue (IGF) will cause an increase in the responsive factor of the DACF. I use the average percentage increase of IGF per region for my regression analysis. I represent this factor by $b_3Response_{R,t-1}$ in my regression model.

Service Pressure Factor (2%): This is to assist in improving existing services, which are deteriorating faster than predicted due to population pressures. This factor is determined by calculating the population density per district. However, I averaged population density at the regional level (see appendix III). This is represented by $b_4PopDen_{R,t-1}$ in my analysis.

Time: Even though the four main factors discussed above make up the formula for the disbursement, variation over time is an equally important factor. DACF account reports and some empirical studies indicate proportionate decrease in disbursement of the funds over time, while other research indicate increases in funds over time (Mogues et al, 2012; Banful, 2011; DACF Report, 2004-2008).

However, I use *time* to capture the effect of lagged predictor variables in my analysis. This is because the amounts of DACF transfer for a current year (t) are based on the previous year's factors (t-1). That is, service pressure, responsiveness, needs, and equality factors for 2004 are used to disburse DACF in 2005. Therefore, all the predictor variables (formula factors) have “t-1” in attempt to capture for time lags for DACF at time t. Finally, I introduce an error term e_i , to control for regional unobserved effects and unexplained differences

From the foregoing discussion, given a formal multivariate regression model of the form $Y_i = \beta_0 + \beta_1 (x1)_i + \beta_2 (x2)_i + \beta_3 (x3)_i + \dots + \beta_K (xK)_i + \epsilon_i$ regression, the theoretical model is:

$$DACF_{RT} = \beta_0 + \beta_1 Equal_{Rt-1} + \beta_2 Needs_{Rt-1} + \beta_3 Response_{Rt-1} + \beta_4 PopDen_{Rt-1} + e_i \dots (1)$$

Apart from the four-factor formula, the literature on intergovernmental revenue sharing has highlighted other factors that influence the disbursement of DACF. One factor that has attracted attention among researchers because of its possible effect is politically motivated targeting of resources (Banful, 2011; Miguel and Zaidi 2003). When evident, politically motivated targeting of DACF transfers defeats the apolitical and equitable goal of fiscal decentralization in Ghana.

Politically Motivated Targeting: I introduce another independent variable that captures the likely effect of politically motivated targeting on the DACF disbursement. I measure politically motivated targeting by comparing election results for the two main political parties (NDC and NPP). I use the percentage of votes cast for NPP (the winner in 2004) per region for my first set of analysis (2004-2008). The second set of analysis (2009-2010) included percentage of NDC votes per region for the 2008 election (because NDC won). The political factor is represented as $b_5 Pol_{Rt-1}$.

When operationalized, the model is:

$$DACF_{RT} = \beta_0 + \beta_1 Equal_{Rt-1} + \beta_2 Needs_{Rt-1} + \beta_3 Response_{Rt-1} + \beta_4 PopDen_{Rt-1} + \beta_5 Pol_{Rt-1} + e_i \dots (2)$$

With the aid of Statistical Package for Social Sciences (SPSS) software, I run the two models to determine whether politics as a variable significantly affect DACF disbursements. I then determine the most parsimonious model for DACF transfers. Before determining the most parsimonious model, I test for multicollinearity and heteroscedasticity. I also run some correlation tests to determine the strength and direction of the contribution of each predictor to DACF.

4.2.4 Justification for Quantitative Analysis of Documentary Research

Even though my analytical approaches varies from using simple statistics to complex model building with multivariate analysis, it offers a flexible and multi-faceted way of using documented reports as resources in policy studies. It is therefore not surprising that most scholars evaluating country-specific or cross country fiscal decentralization policies use some form of quantitative analysis of archived datasets³⁹. Additionally, documentary research forms a vital component of triangulation of methods (Gidley cited in Seale, 2012). This can be seen in my use of three different specific approaches to evaluate the efficiency proposition in relation to fiscal decentralization. Even some qualitative-oriented researchers use quantitative analysis of data to provide background information to their qualitative analysis. For instance, Symons (2009) combined quantitative analysis of archived data with oral history and participant observation in his research on gay athletes. For my research project, my quantitative analysis of archived data provides a backdrop against which I foreground my discourse analysis of policy documents advocating for fiscal decentralization.

³⁹ Refer to the literature review in chapter three

4.2.5 Summary Table for Quantitative Analysis

Table 4.1 presents a summary of my methodology. This summary table includes my propositions or objectives, data sources, and main analytical techniques used to address the objective/proposition.

Table 4.1: Summary Table for Quantitative Analysis

Propositions/objective	Data Sources	Analysis
FD improves MMDAs IGF generation performance	Data on IGF (expected and actual) and external funds (DACF) gathered from:	Compared per capita IGF to per capita external funds
	-IFPRI data (1994-2004)	Compare expected IGF to actual IGF using a line graph
	-IGF from MLGRD Report	Computed and tabulated distribution quotient
	-Audit Reports (2005-2012) -DACF Administrator	
	Others include PHC (2000, 2010) statistics on population	Compared spatial distribution of IGF performance using a map
Fiscal decentralization improves equity in DACF disbursement	DACF disbursement formula data gathered from MLGRD, and DACF Administrator	Compared trends in the DACF four-formula factor weights from 1994-2009 using line charts
Determining evidence of political motivation in revenue transfer	DACF, CWIQ, PHC, and IGF data (see appendix III for details)	Run a multiple regression analysis
Issues of Accountability	MMDAs capital and recurrent expenditure gathered from IFPRI dataset	Compared trends in capital and recurrent expenditure using line graph.
	CWIQ	Compared expenditure trends to tabulated changes in development indicators
		Note: Study did not account for leakages due to corruption since data was not available to capture those leakages.

Source: Author's construct, 2014

4.3 Discourse Analysis

Having discussed extensively my methodologies for determining if fiscal decentralization works in Ghana or not, I shift my focus to the question of why Ghana was compelled to implement fiscal decentralization in the first place. Drawing lessons from Escobar's writings in the development literature, I opt to use discourse analysis. Discourse analysis of public policy (fiscal decentralization in the case of my research) can be carried out in many ways. Popular options include *discourse in a social context* and *critical discourse analysis* (Tonkis cited in Seale, 2012). As the name implies, discourse in a social context focus solely on the social context that produces a discourse. Such analysis is limited to the way specific forms of text, language or knowledge produce different versions of truth. Critical discourse analysis (CDA) goes beyond the technical analysis of text to explore its socio-political and historical context, uses and effects. For my research project, I use the CDA approach.

For my CDA, I address the following methodological questions: What is the context of analysis? What are my sources of data? How do I sample and gather my data? How do I analyze my data? By using these questions to guide my CDA, I reveal how fiscal decentralization policies are and have come to be associated with equity, efficiency and accountability. I suggest how these policies could be different under different circumstances (Hammerlsy, 2003). Just like Escobar (1995) who adapted his discourse analysis approach from Foucault's triangulation of the key components in a given discourse—*knowledge*, *power* and *truth*—I analyze the interplay of these three components to create fiscal decentralization policies in Ghana.

4.3.1 *Context of fiscal decentralization*

In terms of context, I have two main options. I could conduct my discourse analysis in a proximate or distal context (Schegloff, 1997). *Proximate context* refer to the features immediately relevant to a piece of text or interaction. An example of proximate context is the immediate institutions which produce and implement fiscal decentralization policy documents. More general aspects of social life such as class, gender, ethnicity or culture which affect and are affected by such policy documents form the *distal context*. Geographically, a proximate context can be the National Development Planning Commission, Finance Ministry, and Ministry of Local Government and Rural Development located in Accra, Ghana. These bodies are charged with the responsibility of production and revision of fiscal policy documents in Ghana. On the other hand, a distal context for my research transcends national boundaries to look at fiscal policy documents produced and revised by the UN-Habitat, International Monetary Fund (IMF) and World Bank. Academically, the choice of proximate context requires that I examine fiscal decentralization through the lens of an economist, geographer, political scientist, sociologist or linguist only. But using a distal context, just as Escobar (1995) did, allows me to consider the history, politics, geography, language and sociological underpinnings of fiscal policies in Ghana.

I chose distal context for this thesis because I am interested in conducting a critical discourse analysis which involves understanding the larger context in which fiscal decentralization unfolds. I examine the social, historical, political and geographical settings that create specific knowledge or language about fiscal decentralization (Tonkiss cited in Seale, 2012). The genealogy of fiscal decentralization in Ghana can better be traced by looking at some international discourses of fiscal decentralization.

As a limitation, working within a distal context is broad and time consuming, and may require larger data sets than working within the proximate context. Furthermore, access to financial policy documents is also relatively difficult for the distal context. That raises the question about the various sources of data available for my CDA.

4.3.2 *Data Sources for CDA*

Among the wide range of data available for CDA are: international fiscal policy documents, Ghana fiscal policy reports, the 1992 Constitution of Ghana, press or television reports, party manifestos, and my personal accounts. Even though a wide range of data sources exist, researcher's choice of data should be based on its relevance to the research problem. I prioritize fiscal policy documents (both international and national) because of my quest to understand why fiscal decentralization is held out as desirable. Unlike sources such as television reports, fiscal policy documents are accessible online. Here, unlike my documentary data used as *resources* in my quantitative analysis, I treat the documents as *topics*. I therefore assume a normative stance by viewing policy documents as socially constructed. Therefore, I consider the documents selected for my discourse as *realities* themselves, and not as a tool for understanding some other reality (Gidley cited in Seale, 2012). Like Escobar (1995), I am concerned with the underlying social, historical, economic, and geographical organizations that construct these policy documents.

4.3.3 *Data Sampling for CDA*

In terms of sampling, I chose four main sets of fiscal policy documents; two from within Ghana and two from the international community. I identify two contrasting discourses on fiscal policies in Ghana at two different historical moments: Policy

documents produced prior to the 1990s, and policy documents produced after the 1990s. This contrast is based on the fact that the 1990s marked the period where ‘proper fiscal decentralization’ commenced in Ghana. Regarding policy documents produced prior to 1990s, I use documents associated with the Structural Adjustment and Economic Recovery Programs (SAP & ERP) in Ghana, which were produced between 1983 and 1986. For the post 1990 fiscal documents, I select policy documents that explore the discourse of fiscal decentralization (preferably the 1994 and 2011 fiscal documents). Here specific documents I consider include a number of legal documents listed by Ankamah (2012) in his paper on the politics of fiscal decentralization. These include: The 1992 constitution Local Government Act, 1993 (Act 462); Local Government Service Act, 2003 (Act 656); National Development Planning (Systems Act) 1994 (Act 480); District Assemblies Common Fund Act, 2003 (Act 455).

For international documents, I consider fiscal documents that directly affected the policy process of decentralization in Ghana. These are basically policy framework documents or Working Papers of the UN-Habitat, European Charter, World Bank and International Monetary Fund (IMF), as well as international legal documents. Ankamah (2012) lists a number of international legal binding documents of Ghana’s commitment to decentralization that also promotes fiscal decentralization among others. These include: the Victoria Falls Declaration (1999) on an African Vision on Decentralization; The Kigali Declaration (2005) on Leadership Capacity Building for Decentralized Governance and Poverty; and Commitment under the New Partnership for Africa’s Development (NEPAD) in Sub-Saharan Africa. Commitments under the Commonwealth Local Governance Forum declarations/affirmations includes; The Singapore Declaration; The Harare Declaration; The Millbrook Action Program; The

Latimer House Principles; The Aberdeen Principles; and Trinidad and Tobago Affirmation. I use some of these binding documents in my critical discourse analysis. Narrowing my data options to four main sets of documents makes sorting relevant text easier. It also saves time for data collection and analysis. More importantly, these datasets sets the context for Ghana's fiscal decentralization process. Like Escobar (1995), I also draw on scholarly literature as a minor source of information for analysis.

4.3.4 Data Analysis for CDA

Using knowledge, power and 'truth regimes' as the foundation of discourse creation, shaping and reshaping, I trace a genealogy to Ghana's fiscal decentralization (see Chapter Three for Escobar and Foucault's discourse analysis). Using the set of policy documents selected, I examine Ghana's colonial and post-colonial geopolitical and socio-economic position. These examinations occur at different geographical scales, namely the local, the national and the international. I identified key themes and arguments in the policy texts, and compare and contrast these themes for the four different sample policy documents selected. I also look for patterns of association and variation in the policy documents. Taking a normative stance, I explain these themes in relation to power, knowledge and truth. Here is where Escobar's (1995) development discourse analysis is very useful. As discussed in the previous chapter, Escobar revealed how problematization, professionalization and institutionalization relate with power, knowledge and truth respectively. I use a similar analytical structure in the next chapter. Also, as a critical discourse analyst, identifying the silences in the policy documents is equally important as identifying emphatic themes (Hammerlsy, 2003; Tonkiss cited in Seale, 2012). I therefore identify social issues that are absent

from one policy document but present in another, and explain the differences with reference to the geographical (social, political and historical) context.

4.3.5 Relevance of CDA to this Research Project

CDA offer a sophisticated insight into the complex world of fiscal decentralization policies. CDA enriches my analysis further by its insistence on close reading in conjunction with a broader contextual analysis, including consideration of discursive practices, intertextual relations, and sociocultural factors. It sets the historical context for readers to comprehend the various arguments advanced in my research. Likewise, it complements my quantitative analysis of archived data by providing insight into the geographies of policy implementation.

Also, CDA affords me the opportunity to identify the silences inherent in policy documents. This is a complement to my quantitative analysis which is based solely on the material evidence/data. While I appreciate that discourse analysis refrains from forcing data or text to say things that are not there, CDA afford me the opportunity to reveal what remains ‘unsaid’ about the fiscal decentralization discourse (Tonkiss cited in Seale, 2012: 417). Revealing what fiscal policies in Ghana can say or do differently may help to place the fiscal policy discourse in a wider interpretive context for me and future researchers.

However, I admit that my approach to CDA has various limitations. Selecting four sets of policy documents amidst a wide range of data sources may not be representative. My CDA ignores the proximate context of fiscal policies.

Understanding socio-political and historical context of policy involves more than understanding the distal context. The proximate context offer immediate and micro-level background assessment of power, knowledge and truth. Time and difficulty in accessing micro-scale policy documents (i.e., fiscal policy reports of the 216 MMDAs in Ghana) account for my ignoring the proximal context. As already discussed in Chapter Two, I make up for this by using ‘averaging’ to check the internal consistency of fiscal decentralization arguments.

CHAPTER FIVE

RESULTS AND DISCUSSIONS

5.1 Introduction

This chapter forms the core of the findings and analysis of this research project. I present and discuss two sets of results. The first set is a baseline result and discussion of the aftermath of fiscal decentralization in Ghana. It involves the use of descriptive statistical tools like bar charts and cross tabulations, to complex statistical analyses like multivariate regression. I use these quantitative techniques and data gathered from CWIQ, IFPRI, MMDAs, GHDS datasets to present results addressing whether fiscal decentralization in Ghana actually works or not. The second set of results is based on my use of Critical Discourse Analysis (CDA) to explain why fiscal decentralization is held out as a good thing for Ghana. Since Ghana is the case study for this project, all policy documents selected have in one way or the other affected Ghana's fiscal decentralization policies.

5.2 Does Fiscal Decentralization Actually Work In Ghana?

As already discussed in chapters two and four, the attributes of a successful fiscal decentralization in Ghana include;

- Efficient internal revenue generation of MMDAs
- Equitable and apolitical transfer of DACF from the central government to MMDAs.
- Clearly defined and implemented MMDAs expenditure functions

Based on these attributes, I evaluate Ghana's fiscal decentralization performance by addressing the following specific research questions:

- Are MMDAs efficient in generating revenue (IGFs) within their jurisdictions?

- Is equity/fairness evident in the disbursement of the DACF in Ghana?
- Does politics affect DACF disbursement in Ghana?
- Do MMDAs have a clearly defined and implemented expenditure function?

5.2.1 Are MMDAs efficient in generating revenue (IGFs) within their jurisdictions?

An efficient fiscal decentralization requires a consistent increase in IGF as a proportion of total revenue at the MMDAs' level. This is because MMDAs' fiscal autonomy is closely linked to their ability to generate revenue within their own jurisdictions. The more MMDAs improve in generating their own revenue over time, the less they depend on inconsistent and untimely external revenue sources in caring for their district needs.

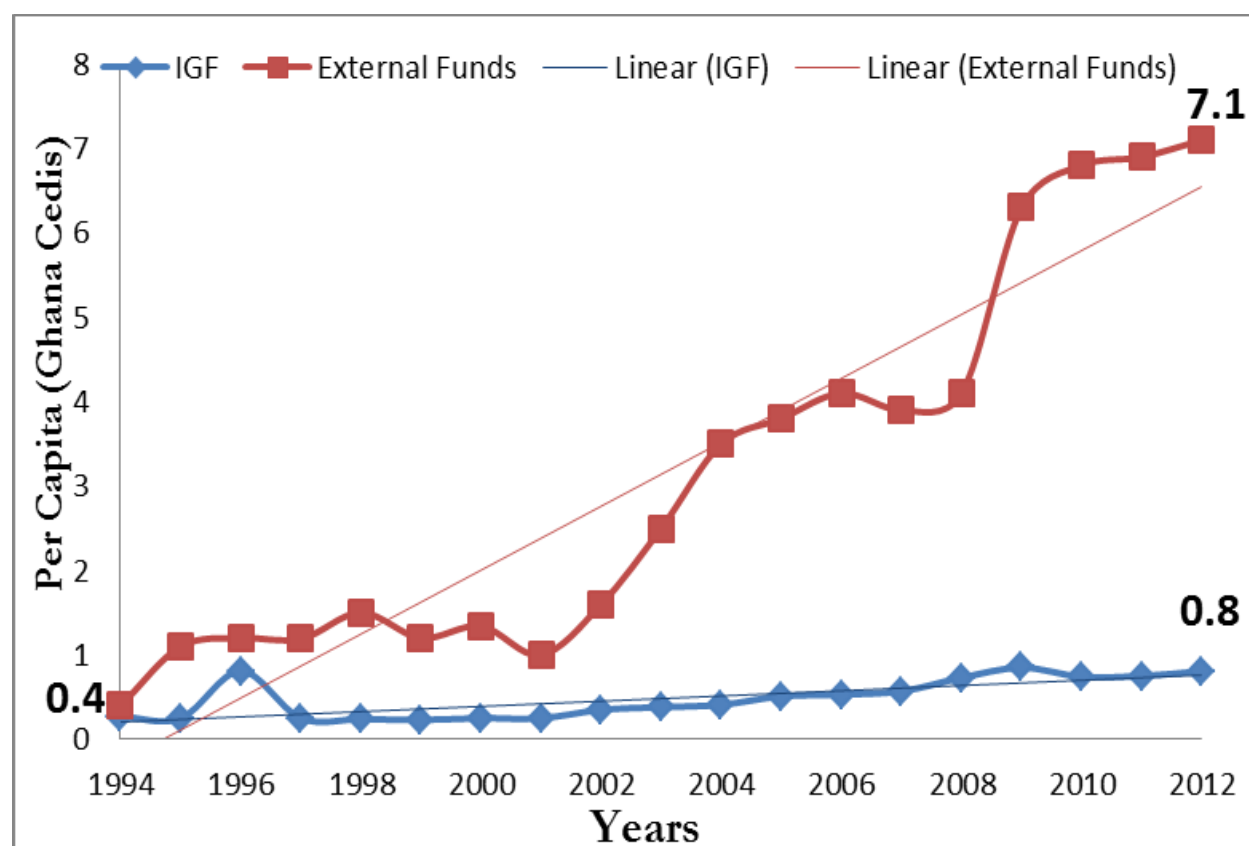
As depicted in Figure 5.1, MMDAs per capita IGF has increased from 1994 to 2012⁴⁰. Likewise, MMDAs per capita external revenue has increased. However, the increase in per capita IGF revenue relative to per capita external revenue is very low. In the initial period of fiscal decentralization implementation (i.e., 1994), per capita internal revenue were nearly equal to per capita external funds, that is, 0.4 GH Cedis. However, at the end of the year 2012, per capita IGF has increased slightly (from 0.4 GH Cedis to 0.8 GH Cedis) while per capita external revenue increased considerably (from 0.4 GH to 7.1 GH Cedis)⁴¹. Especially noticeable is the massive increase in MMDAs per capita external funds after 2008 (that is, from 4.0 GH Cedis in 2008 to 6.4 GH Cedis in 2009). This increase occurred because the percentage of GDP

⁴⁰ In terms of absolute numbers, MMDAs' revenue generations (through rates, rent, land, license, fees and fines, miscellaneous) increased between 1994 and 2004 (see figures 5.1 a-g).

⁴¹ In terms of proportion, internal revenue sources were nearly equal to external funds in 1994, that is, 46 percent of the total local revenue. However, by 2012, MMDAs internal revenue proportion declined to 17.85 percent. Therefore MMDAs are increasingly becoming dependent on central government transfers.

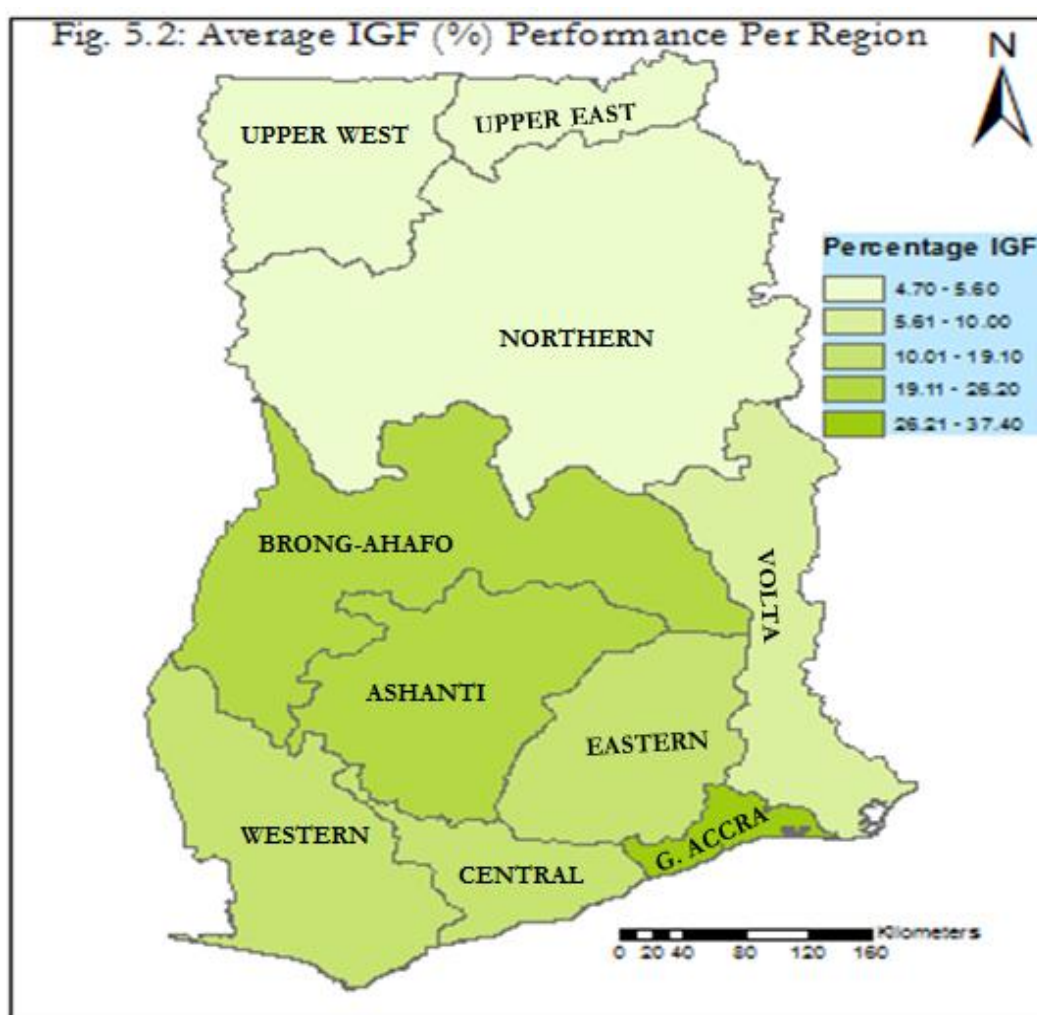
allocated to MMDAs through DACF transfers increased from 5% to 7.5% in 2008. Surely, MMDAs are increasingly becoming dependent on central government transfers for their development operations, even after almost 20 years of implementing fiscal decentralization in Ghana. Consequently, MMDAs have little say or control over their own expenditure and revenue decisions. The implementation of their development plans depend largely on external funds, which are usually unpredictable in timing and amount. This is not what one would expect in light of consistent efforts to deepen decentralization in Ghana, including efforts to strengthen the fiscal position of MMDA governments.

Figure 5.1: Proportions of MMDAs Per Capita Revenue: IGF versus External Funds



Source: Authors' Construct 2013 (IFPRI datasets; MMDAs Audit Reports).

Of equal importance are the regional disparities in the IGF performance. Generally, the regions in northern Ghana (Upper East, Upper West, Northern region) performed poorly in relation to other regions (see Figure 5.2 for a map indicating this disparity).



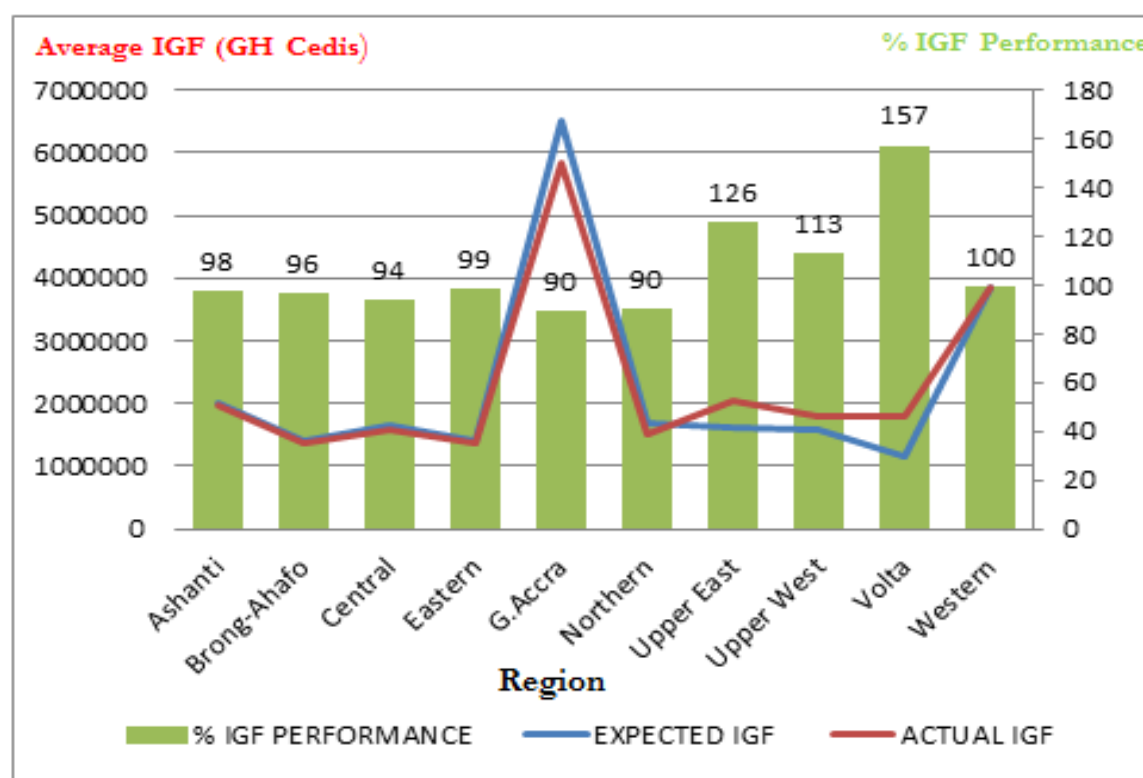
Source: Authors, 2013 (Extracted from MLGRD Report 2008-2011)

On average, all three regions generated less than 6 percent of their annual revenue between 2008 and 2011. On the other hand, regions in the southern part of Ghana raised more than 20 percent of their annual revenue within their jurisdiction (see figure 5.2). I argue that the southern regions performed better than the northern

regions because they have more and richer resources (rich minerals, better agriculture climate including the sea, and human capital). Consequently, these southern regions have been the growth poles of Ghana's development prior to decentralization. MMDAs in the south have better infrastructure and better economies, hence wider tax bases to tap revenue compared to the northern regions.

Granted, I find that all MMDAs were very close to achieving their expected IGF. As depicted in figure 5.3, the worst IGF performance was 89.6% (Greater Accra), while the best performance came from MMDAs in Volta region (57.3% more than expected revenue). Notwithstanding the good IGF performance, most MMDAs did not meet their IGF expectations. In contrast to my first proposition, fiscal decentralization has not improves IGF performance among MMDAs in Ghana.

Figure 5.3: Average IGF Performance per MMDA (2005-2010)



Source: Author's Construct, 2013 (extracted from MMDAs Audit Reports 2008-11)

The ‘why this inefficiency question’ has to do with revenue collection design and implementation problems. In Ghana, although adequate legislation has been instituted to enable MMDAs to harness IGF, they still face four serious design-efficiency problems (Mogue et al, 2012; Inanga and Osei-Wusu 2004). First, tax bases of local governments are static because of weak databases for determining revenue potentials. Areas within regions where revenue could be generated are not well identified and therefore the revenue collection level is not optimal. Second, there are complex structures in terms of planning for revenue collection in some of the regions. For instance, a UN-Habitat (2009) report indicates dual allegiance of decentralized departments, and functional duplication of public agencies in performing their statutory obligation in the same geographical location as key planning problems in G. Accra region. Such poor planning often creates friction and duplication in revenue collection services, leading to inefficient revenue performance.

Third, mechanisms for collecting internal revenues are ineffective. For instance, revenue collections from property rates are low because properties have not been properly valued. Furthermore, there are few revenue collectors in most MMDAs, especially in regions with relatively higher populations. The fourth design problem is the absence of appropriate sanctions or punishment for tax defaulters. Most residents, especially traders, do not feel obliged to pay taxes. While not the thrust of this thesis, a question worth considering is “to what degree do these problems relate to adopting procedures developed in old industrialized countries and applying them blindly to an industrializing country like Ghana?”

Greater Accra, even though was the worst performing region in Ghana, recorded the highest absolute average actual IGF. Table 5.1 captures the per capita average IGF performance of MMDAs in each region for more recent datasets (2004-2010). The

goal is to identify the average contribution of each individual in each MMDAs jurisdiction as a way of measuring how efficient such MMDAs are at collecting revenue.

Table 5.1: Distribution Quotient for IGF Performance Per Region (2004-2010)

Region	Average Population	Average IGF	% Average population (X)	% Average IGF share (Y)	Distribution Quotient
Ashanti	4,085,905	1,968,823.93	19.24	8.54	0.44
Brong Ahafo	2,017,544	1,352,810.29	9.50	5.87	0.62
Central	1,835,751	1,566,958.93	8.65	6.80	0.79
Eastern	2,321,374	1,381,271.79	10.93	5.99	0.55
Greater Accra	3,346,188	5,836,421.43	15.76	25.31	1.61
Northern	2,080,592	1,510,891.73	9.80	6.55	0.67
Upper East	974,041	2,028,883.76	4.59	8.80	1.92
Upper West	620,910	1,778,074.52	2.92	7.71	2.64
Volta	1,832,822	1,798,662.87	8.63	7.80	0.90
Western	2,119,431	3,837,551.43	9.98	16.64	1.67
Total	21,234,558	23,060,350.67	100	100	

Source: Author's Construct, 2013 (extracted from MMDAs Audit Reports 2008-11)

Table 5.1 clearly indicates differences in DQ, and hence differences in IGF performances across MMDAs within the 10 regions of Ghana. Relatively higher degree of IGF performance can be found in MMDAs of those regions with DQ greater than unity: Upper East, Upper West, Western and Greater Accra. For example, Upper West with an average population of 620,910 generated on average 1,778,074.52 Ghana Cedis per year (2004-2010) and scored a DQ of 2.64 indicating the highest level of IGF mobilization. Whereas the Ashanti Region, which in absolute

terms is the third highest average IGF generator (that is 8.54% of total average revenue from 2004-2010), is now the worst IGF generator when measured relative to the size of its population. The question worth addressing is: why the spatial differences in regional DQ for IGF performance?

To address this question, I briefly highlight some of the problems that might account for poor IGF performance. A report for the World Bank (2000) reveals major concerns which determine the magnitude of revenues generated in MMDAs. These concerns include the legislative provisions, implementation strategies and designs, funding relationships as well as issues about economic efficiency and accountability which determine the magnitude of revenues to be generated by sub-national governments. Additionally, inter-jurisdictional variations in revenue performance are dependent on the geographically variable tax base of such jurisdiction (Pacoiné, 2001; Harvey, 2009). This implies that regions in Ghana privileged with relatively more resources (minerals, suitable agriculture lands and climate in the case of Ghana) have a wider tax base and hence greater IGF.

From Table 5.1, MMDAs of six out of the ten regions of Ghana scored a DQ less than unity, indicating their inability to generate sufficient revenue to support their administrative functions. Obviously, external transfers, especially transfers from the central government (DACF), automatically become a relevant component of effective fiscal decentralization. Hence, the question of whether such transfers are equitable and apolitical is worth discussing.

5.2.2 *The Disbursement of DACF in Ghana versus Equity Issues*

Equity as a concept is complex to define and even more difficult to measure. Pacoine (2001:10) reiterates this point in his paper on Geography and Public Finance that while 'specification of locational efficiency is relatively straightforward; equity in public service provision is more difficult to determine'. He added that while some scholars argue that equity is enhanced when services are distributed in proportion to taxes paid; others contend that equity demands allocation of services in proportion to need. In the social justice discipline, the concept of equity stems from the idea that 'one of the more important purposes of government in contemporary western society is to offset the burdens imposed on some groups by the operation of the market economy so that a greater equality of life chances is achieved' (Rich, 1979:152). Due to these complexities, I do not attempt a definition of equity. However, for the purpose of this analysis, I consider the difference or otherwise between *equality* and *equity*.

The terms equity and equality are often used interchangeably, yet they represent quite different, if related, concepts. The Webster's New World Dictionary (1988) relates equity with fairness or justice. Equality, on the other hand, suggests the state or instance of being equal. This in turn is defined as having the same rights, privileges, ability, rank or of being the same quantity, size, number, value, degree, intensity, and quality (see Plate 5.1). In geography of public finance, the two terms are related but still different. An equitable arrangement is one that promotes greater equality of condition (Rich, 1979; Pacoine, 2001). Services are equally distributed when everyone receives the same services. They are equitably distributed when citizens who deserve more (perhaps because they need more, work harder, or utilize the service wisely) gets more, and ultimately are in a more equal life circumstance than before. I argue that equity is better determined by outcome (changes in relevant social conditions brought

by a service) rather than output measures of services (the products of agency activities).

Plate 5.1: Equality does not mean Equity



Source: Author's Construct, 2013 (Adapted from <http://www.youth-in-transition-grant.com/files/2013/02/Slide1.jpg>)

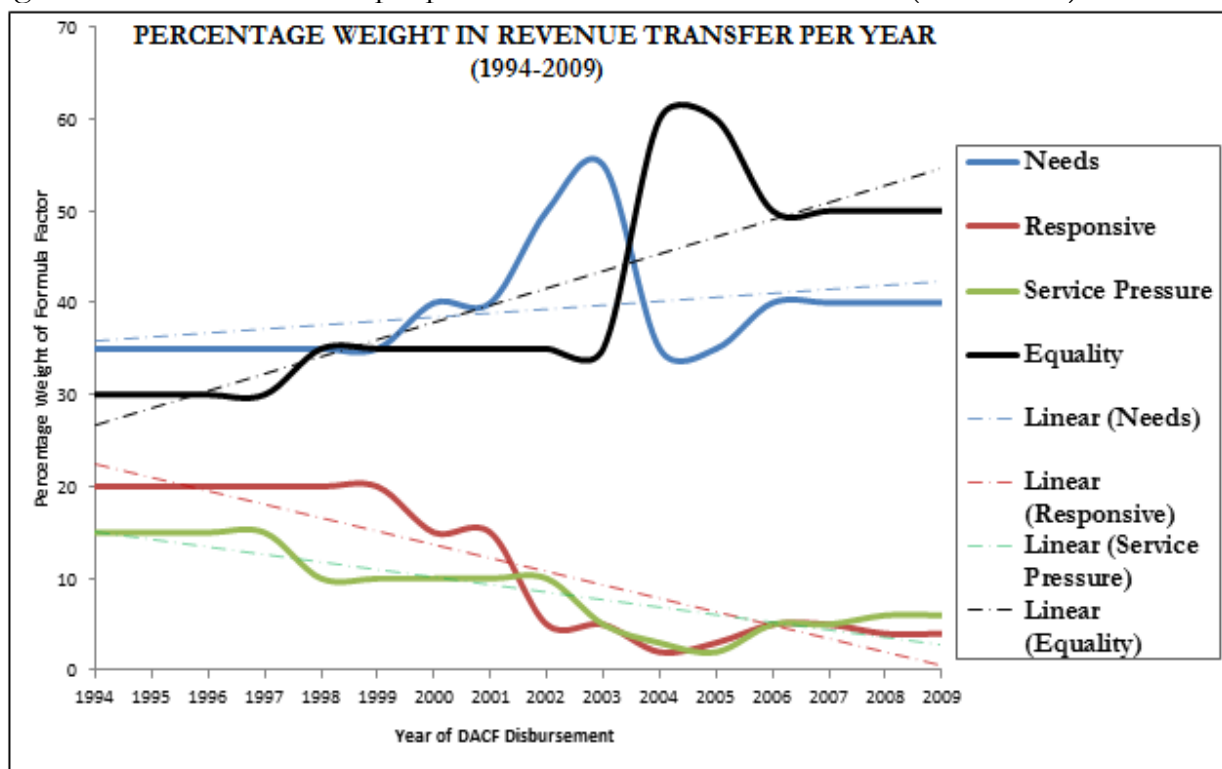
Based on my argument, I detect concerns for equality and equity in the theoretical formulae-based DACF sharing in Ghana's fiscal decentralization⁴². More recently, about 60% of the total DACF transfers are based purely on equality factor, where each MMDA is entitled to the same amount of transfer across the country. The equity factor is not clearly defined in the formula. But, based on the meaning of equity, I argue that the other factors: responsiveness, needs, and service pressure form the equity component. My argument is based on three reasons. First, equity is in the sense that the formula rewards MMDAs that generate more internal revenue (responsiveness factor). Second, equity is evident in the fact that MMDAs that have more pressure on social services because of population density receive more DACF (Service pressure factor). Third, MMDAs with more pressing development needs receive more DACF (Needs Factor).

Figure 5.3 clearly indicates that over time, DACF disbursement has shifted focus from equity to equality, even though equity remains the ultimate goal of fiscal decentralization in Ghana. Three years after its implementation (1994-1997), 70% of the DACF was geared towards achieving equity. This is indicated in the 20% weight for the responsiveness factor, 35% for needs factor, and 15% for service pressure factor. However, by the year 2009, *equity* has reduced by a significant 20%, while equality has increased in weight from 30% in 1994-1997 to 50%, and was even 60% in 2004-2005. These trend changes are not expected from a country that seeks to improve equity by deepening fiscal decentralization. Therefore, the propositions 'fiscal

⁴² According to Fynn (2011), the four main factors that are applied in sharing funds amongst the districts include: Equality: This ensures that the assemblies have access to specified funds. It involves a straightforward division of a portion of the fund by the total number of MDDAs in Ghana. Need Factor: this factor is meant to address the current imbalances in development. It involves health, education, water and road indicators. Responsive Factor: is designed to motivate the MMDAs to generate and collect more internal revenue. Therefore, a percentage increase in MMDAs owned-source revenue will cause an increase in the responsive factor of the DACF. Service Pressure Factor: is to assist in improving existing services, which as a result of population pressures are deteriorating faster than predicted

decentralization improves equity in funds disbursement (stated in chapter four) has been refuted. A question worth addressing at this point is: are these changes a reflection of politically motivated targeting? This is an important question because changes in DACF formula usually occur in election years⁴³

Figure 5.4: Formula factor proportion for DACF disbursement (1994-2009)



Adapted: DACF Annual Proposal to Parliament, 2010; Banful, 2011

With the unpredictable changes in the indicators and weights of the formula, MMDAs have essentially no capacity to increase their future allocations by changing their level of any particular indicator. Worse yet, because the formula utilizes a comparison of the indicator in an MMDA with the level of the indicator in all other MMDAs, an

⁴³ Banful (2011) pointed to changes in the weights as evidence of politically motivated targeting in the DACF transfers. Equality became more significant than equity after a changeover in government in 2004. She added that this is because politicians capitalize on the equality factor to transfer more funds to their target regions by simply creating more districts in regions that favor them.

MMDA requires information about the strategies of all other MMDAs in order to predict how a change in its own level of a particular indicator can affect its share of the DACF. Also, since the data used in the formula is only available from the relevant sector ministry after a one or two year lag, MMDAs cannot anticipate when and whether any actions they take to affect their level of a formula indicator will be relevant. Such unpredictability of which indicator will be relevant is especially important for the ‘responsiveness’ category which is explicitly included in the formula to encourage local revenue generation and should comprise of a steady indicator that MMDAs can respond to. Unfortunately, the weight of the ‘responsiveness’ factor has fallen drastically, creating little motivation for MMDAs to be fiscally autonomous. With such lapses in the DACF formula, fiscal decentralization will be in jeopardy if the actual disbursements reveal effect of politically motivated targeting. The next section of my analysis explores the relationship between the actual DACF disbursement and politically motivated targeting.

5.2.3 Multivariate Regression Analysis: DACF Disbursement Determinants

The multiple regression equation results produced from the two models (see chapter four) are indicated in the Table 5.2. Table 5.4, captured in the appendix, display the correlations results. The first sign of the reliability of my three models is their statistical significance. As depicted in Table 5.2, all three models have an overall 0.000 significance level (far below the significance level of 0.05), and are therefore statistically significant models. The R-square values in table 5.2 reveal that 36.8% of the variations in actual disbursement can be accounted for by fitted models 1 and 2 (see methodology chapter for models). This means that actual DACF disbursement does not change when the effect of politically motivated targeting is added to the four-factor formula/DACF model. Of more interest, are the adjusted R square

values⁴⁴, which reveal a difference between fitted model 1 and 2. While 32.2% of the variations in actual annual disbursement are explained by the variations in the predictor variables for fitted model 1, the introduction of election results as a predictor variable decreases the overall influence of the predictors to 30.9% (fitted model 2). This difference is consistent with the idea that MMDAs DACF disbursement per annum is better accounted for by excluding election results (politics) as a predictor.

Of equal importance are the regression coefficients and their relative significance levels. Even though all two models have strong overall statistical significance (all the models have strong significance level of 0.000 at the 0.05 significance level as depicted in Table 5.2), the significance level of individual predictor variables of DACF disbursement vary.

As depicted in Table 5.2, the relative contribution of population density, responsiveness and election results are not statistically significant (because their sig. values are greater than 0.05 at the 0.05 sig. level) for both models. Only the Needs and Equality factors are responsible for the overall statistical significance (at the 0.05 significance level) of all two models. That is an unsurprising result considering the fact that 90 to 95 percent of the funds are geared towards the equality and needs factor (see Figure 5.4).

Here again, a point of interest is which of these two factors is a better determinant of DACF —is it equality or need (which reflect equity)? The beta column of Table 5.2

⁴⁴ The adjusted R-square values have the same interpretation as the R-square values. However, adjusted R-square is a more reliable measure of model quality because it reveals the amount of shrinkage (predictive loss) if the same model is applied to a different sample. It helps to predict the expected amount of explained variation in cases were we took new samples using an identical procedure from the same ten regions considered for this research.

provides the standardized co-efficient for comparing the relative contributions of these two factors. It shows that needs factor contributes more (45.6%, and 46.3% for fitted models 1 and 2 respectively) than equality factor (32.5% and 32.2% for fitted models 1 and 2 respectively). Likewise, the needs factor has slightly greater statistical significance (0.000 significance at the 0.05 sig. level for both models) than the equality factor (0.006, and 0.009 at 0.05 sig. level for fitted models 1 and 2 respectively).

Table 5.2: Co-efficient from Linear Regression Models Predicting DACF (N=300, 360)

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	812241.150	124900.766		6.503	.000	561934.421	1062547.879
POPULATION DENISTY	1497.633	1913.145	.109	.783	.437	-2336.396	5331.662
NEEDS	469990.089	126363.708	.456	3.719	.000	216751.558	723228.619
EQUALITY	-.178	.062	-.325	-2.87	.006	-.303	-.054
RESPONSIVENESS	-7395.019	4325.555	-.226	-1.71	.093	-16063.625	1273.587
R Square	0.368				.000		
Adjusted R Square	0.322				.000		
2 (Constant)	816289.414	135329.329		6.032	.000	544970.445	1087608.383
POP DENISTY	1523.098	1955.369	.111	.779	.439	-2397.181	5443.378
NEEDS	476504.241	150151.310	.463	3.173	.002	175468.989	777539.493
EQUALITY	-.177	.065	-.322	-2.72	.009	-.307	-.046
RESPONSIVENESS	-7433.509	4390.207	-.227	-1.69	.096	-16235.345	1368.327
ELECTION RESULTS	-2226.389	27093.179	-.012	-.082	.935	-56544.943	52092.165
R Square	0.368				.000		
Adjusted R Square	0.309				.000		

1. Predictors: (Constant), Equality, Responsiveness, Needs, Population Density
 2. Predictors: (Constant), Equality, Responsiveness, Needs, Population Density, Election Results
- Significance is at 0.05 level. a. Dependent Variable: DACF TRANSFERS

Source: Author, 2013

While acknowledging the limitations of my data, politically motivated targeting is the most insignificant relative determinant of DACF transfers (with a significance level of 0.935 at 0.05 sig. level) in the regression analysis. Does this imply that the disbursement of DACF is apolitical? Not really. As depicted in table 5.7 (Appendix), election results have a relatively strong positive correlation of 0.253 with MMDAs' DACF transfers. More importantly, the results in Table 5.7 (appendix) also show that the correlation between the two is statistically significant (0.025 level at 0.05 sig. level). This may imply that as MMDAs that voted more for the ruling party during the presidential elections received more DACF. It must be noted however that the influence of such election results become insignificant relative to the four-factor formula for disbursing the DACF.

This finding is consistent with what Banful (2008) finds. She found that even though the effect of election results on DACF increasingly diminishes from 1994 to 2003, there was still more subtle evidence of political interference in DACF disbursement. Subtle political interference is in the sense that a ruling party creates more MMDAs in their stronghold to increase their share of the equality factor. The goal is to reward them for their votes but also motivate them for future elections. As a result, she found that more funds are actually disbursed just before and after election years. That is consistent with my correlations. As depicted in table 5.6, election results and the equality factor are positively correlated (0.218) and also statistically significant at 0.04. So even though my regression analysis revealed apolitical disbursement of DACF, subtle political interference may still exist in Ghana's fiscal decentralization.

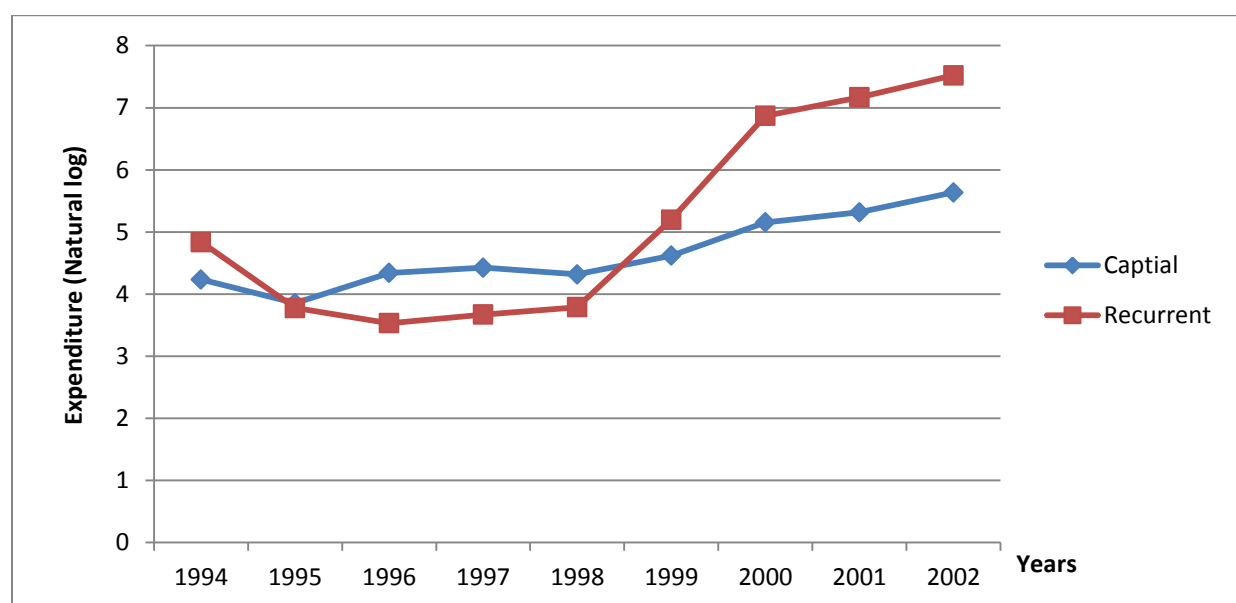
5.2.4 MMDAs Expenditure functions

My initial proposal included evaluating MMDAs expenditure performance and its effect on human development in their respective jurisdiction. This is because MMDAs are responsible for the overall development of their jurisdiction (Local Government Act (462), 1994). I sought to compare expenditure incurred on health and education to human development indicators (HDI) namely literacy, life expectancy and economic growth. Upon further research, I realized that MMDA expenditure is not the only determinant of development in the jurisdiction. There are various expenses by development partners (including NGOs) that do not pass through MMDAs' financial systems. Such organizations directly implementing their programs outside the budgeting framework of the MMDAs could be funding similar items like those the MMDAs fund. Indeed, the MMDAs could be aware of the types and levels of expenditures by the agencies but they could not have direct control over them, and as such it is difficult for reports like this to show the volume of these expenditures relative to MMDAs' expenses. The situation makes it difficult to assess the real volume of financial flows to the jurisdiction of the different MMDAs.

However, as depicted in Figure 5.3, the overall expenditure on both capital and recurrent expenditure increased from 1994 to 2002. Since 1994 marked the beginning of fiscal decentralization implementation, MMDAs spent more in putting in place a functioning administration than actually undertaking development projects (capital expenditure). This explains why in 1994, the bulk of MMDAs expenses were recurrent (namely personal emoluments, maintenance and repair, transportation cost). Personal emoluments such as salaries, wages and allowances of MMDA workers formed the greatest proportion of recurrent expenditure (43%). However, between 1995 and 1998, MMDAs invested more in capital goods (namely education, health, water and sanitation). Even though MMDAs average capital expenditure continually increased,

more of their revenue was used to cover recurrent expenditure from 1999 to 2002. Overall, MMDAs expenditure has been increasing significantly from 1994 to 2002.

Figure 5.5 Trends in MMDAs Expenditure 1994-2002



Source: Extracted from IFPRI datasets, 2004

The increase in MMDAs expenditure may have contributed to the improvement in socio-economic development indicators, as reported by the CWIQ survey for 1997 and 2003⁴⁵. As indicated in Table 5.4, development indicators for health, education, water and sanitation have improved significantly between 1997 and 2003 for more than half of MMDAs in Ghana. MMDAs may be a major contributor to such improvement because they increase their capital expenditure between 1997 and 2003 expenditure (see Table 5.3).

⁴⁵ Access to health care facilities is defined for households who are within 30 minutes of travel to a clinic or hospital. Drinking water is defined as safe for the household if it is collected from the following sources: piped into dwelling or compound, public outdoor tap, borehole or protected well. Sanitation facility is also defined as safe if a household mainly uses either flush toilet to sewer or ventilated improved pit latrine. The computation of proportions and changes in the proportions during the period is weighted by size of the districts, where size is defined by population of the districts as captured in the 2000 Population and Housing Census.

Table 5.3: MMDAs Socio-economic improvement from 1997 to 2003

Development Indicator	1997	2003	MMDAs with improved conditions (out of 110)
Access to clinic or hospital	42	59	78
Access and use of safe sanitation facilities	26	53	81
Use of safe drinking water	66	74	72
Gross primary enrolment ratio	97	109	94
Youth literacy ratio	62	68	70
Adult literacy ratio	48	53	62

Source: Extracted from CWIQ 1997 and 2003

As already mentioned, these findings may not be conclusive because NGOs and other development agencies operating in these localities may have contributed to this improvement. Even some deconcentrated ministries and departments in Ghana operate independently. They implement their own development project and run their own accounts, as branches of central government ministries and departments and not subordinates of MMDAs. As reported by Osei-Akoto et al (2011), the total amount of money expended by MMDAs constituted 6.5% of total national government expenditure and about 1.8% of total GDP in 2004. Clearly, the expenditure autonomy of MMDAs is still low, while their expenditure responsibilities overlap that of other development agencies and deconcentrated central government departments. As already mentioned, such unclear delineation of expenditure responsibilities may lead to poor accountability, duplication of efforts; conflicts between tiers of governments; dissatisfied citizens; and ultimately hesitation and resistance to continue and deepen the decentralization process.

To this point, I have discussed extensively on whether fiscal decentralization actually works or not. The results show that fiscal decentralization is not working in Ghana.

Granted, there are encouraging outcomes: an increase in absolute internal revenue generated by MMDAs over time; the close-to-realization of expected revenue; and the use of a DACF formula that captures needs and ensures equality with little political interference. On the other hand, there are two disturbing findings. First, over time, MMDAs are increasingly depending on unpredictable and untimely external revenue (DACF) for their operation. Second, there is subtle political interference in the disbursement of the DACF, an interference that pose a threat to the entire fiscal decentralization process. A question worth addressing at this point is: Why is fiscal decentralization not working as expected? or in other words, why is fiscal decentralization held out as a good thing? The answer is rooted in the discourses that produced and shaped fiscal decentralization policies in Ghana.

5.3 Discourse Analysis of Fiscal Decentralization in Ghana

*One is “in the true” only by obeying the rules of a discursive “policing”.
(Foucault, 1970:61)*

*In producing knowledge, power produces truth
(Djokoto-Asem in Tettey et al, 2003:184)*

Current discursive practices have failed to recognize the importance of socially constructed categories that create and shape fiscal decentralization policies, especially in developing economies. As a result, this section is vital to this research project, because it provides a geographically (with reference to the historical, socio-economic, and political atmosphere in Ghana) grounded answer to one of the key research questions that I ask: why is fiscal decentralization policy held out as a good thing in Ghana? The simple answer: fiscal decentralization is held out as a good thing because of the ‘triangulation of *power*, *knowledge* and *truth*’. First, I discuss these three constitutes of discursive practices by making reference to the genealogy of Ghana’s geopolitical and socioeconomic atmosphere that constructed, enhanced or deconstructed decentralization.

5.3.1 The Genealogy of Decentralization: Power, Knowledge and Truth in the Histories of Local Government in Ghana

Today’s and tomorrow’s choices are shaped by the past ... and the past can only be made intelligible as a story of institutional evolution (Douglas North, 1990:6, 1993 Economics Nobel Prize Winner).

Like other African countries, decentralization was part of Ghana’s colonial legacy (Kasfir 1983: 25)⁴⁶. Ghana’s experience of decentralization offers a typical example of what Mawhood (1983:8) refers to as the “pendulum model”, which was common to African countries. The model saw in the terminal colonial period of the 1950s

⁴⁶ Jesse Ribot (2001) provides an extensive background discussion on African decentralization in his paper titled “African Decentralization Local Actors, Powers and Accountability”.

decentralized governments, less decentralized planning and greater central control in the 60s, belief in the value of participation and rural development in the 80s, and the re-establishment of various forms of decentralized governments in the 90s. It is therefore difficult to comprehend the discourses surrounding current fiscal decentralization policies in Ghana without reference to how these policies have evolved over time.

It is worth emphasizing at this point that decentralization policy reform is a complex and dynamic process that transcends the technocratic and managerial approach pervasive in many policy documents (Wunsch, 2001). Instead of treating such policy documents as a means to exploring some reality about fiscal decentralization, I consider the documents as the realities to be explored through CDA. Therefore, a discussion of the geopolitical and socio-economic context of successive regimes of local government (decentralization) policies must necessarily precede any attempt to analyze the discourses that create and shape Ghana's current fiscal decentralization policies.

5.3.1.1 Colonial Administration Decentralization Discourses: Prior to colonial administration, the traditional council (chief and the elders) were considered the 'Wise men of the land'. They wielded some form of 'traditional power'. These chiefs were the source of knowledge and what is accepted as truth in their respective jurisdiction. When the colonial masters came to Ghana, they acknowledged the sovereign power vested in the chiefs and elders by Ghanaians. 'Native Authorities' emerged at this point as a strategic policy by the British government to win the trust and support of these chiefs and elders, and by extension their subjects. Via the first Municipal Council Ordinance in 1850s and Native Jurisdiction Ordinance passed in 1878, the British introduced a local administrative system that centered on so-called customary law and some hand-

picked chiefs or unit of local royalty, popularly termed the “indirect rule” (Millar and Abazaam, 2008: 63). During this period the colonial administration ruled indirectly through the native political institution (i.e. the chiefs), by constituting the chief and elders in a given district as the local authority, with powers “to establish treasuries, appoint staff and perform local government functions” (Nkrumah 2000: 55 cited in Crawford, 2004: 6).

However, the power-sharing coexistence between the chiefs and colonial administration was short-lived. The colonial government gained the power to determine, approve and reward chiefs with leadership positions on municipal and native councils. Initially, the British set up local councils as elected bodies responsible for the oversight of public health, peace and order in the colony⁴⁷, but soon realized that appointing members to local councils was more amenable to achieving their interests and therefore abandoned elections. Of course, the British were guided by their quest for total control over power, knowledge and truth. The chiefs, elders and natives on the other hand became doubtful as events unfold. The marred relationship can be summarized in this quotation:

*The chiefs interpreted the alliance to mean additional authority for taxation. Therefore in 1852 when a legislative assembly of chiefs was inaugurated they passed a resolution to impose an annual poll (head) tax of one shilling on all African citizens. The colonialist later realized that the chiefs did not keep **proper accounts** of the revenues collected. Nor was there any evidence to show that the taxes were being used to promote **direct public welfare**. That coupled with public resistance to the tax led to its abolition by the colonial administration in 1861. Not unexpectedly, that action created a bad faith between the administration and the traditional authorities” (Kessey, 1995: 58, Emphasis on original).*

⁴⁷ For detailed information, see the 1859 Municipal Council Ordinance and the 1878 Native Jurisdiction Ordinance

Over the next 90 years, the British government (as a sovereign power) withdrew administrative, fiscal and judicial responsibility to the traditional authorities they chose⁴⁸.

But as Foucault rightly indicates, “Where there is power, there is resistance” (Foucault, 1990:95). The natives of Ghana (including organized political groups, chiefs, and ethnic groups) resisted British withdrawal of their local fiscal and judicial autonomy. The resistance heightened, forcing a Colonial Office decision to introduce an “efficient and democratic system of local government in each British dependency” (Kasfir, 1993: 26-27). Through Arthur Creech Jones, the then British Secretary of State for the Colonies, fundamental changes in the practice of government were made. Arthur Creech Jones gave the rationale for decentralized governments in these words:

*“I use these words because they seem to me to contain the kernel of the whole matter: **local** because the system of government must be close to the common people and their problems; **efficient** because it must be capable of managing the local services in a way which will help raise the standard of living; and **democratic** because it must not only find a place for the growing class of educated men, but at the same time command the respect and support of the mass of the people”* (Kasfir, 1993; cited in Mawhood, 1993:27, emphasis in original).

Based on Jones’ words, findings of the Watson Commission report on the Accra riots⁴⁹ and later the institution of an all-African constitutional committee headed by Justice Coussey in 1949, the colonial government declared: “*Native Authorities should be*

⁴⁸ The 1878 Native Jurisdiction Ordinance formally recognized chiefs as the authorities of Native Councils. This gave chiefs the authority to make and enact bylaws enforced in both criminal and civil courts. While chiefs had always collected ‘tribal’ revenues, the Native Administration Ordinance was passed in 1927, which gave chiefs financial, judicial and administrative authority through State Councils. In 1936 and 1939, the Native Treasury Ordinances tightened fiscal regulation. In 1944, the Native Authority Ordinance distinguished between State Councils, determined by customary law, and Native Authorities who were appointed by the Governor for administrative purposes (much like the District Chief Executive of the current system).

⁴⁹ The 1948 Accra riots resulted from heightened resistance from natives of Ghana against the British government, where Sergeant Adjetei, Corporal Attipoe and others lost their lives. Following that, the Watson Commission was appointed to investigate the causes of the riots.

replaced by democratically elected councils, which should nevertheless retain a place for chiefs who were recognized as having important role in the Gold Coast” (Hicks, 1961 cited in Kessey, 1995: 59). However, how these cardinal principles of local government were to be achieved in Ghana remained unclear. Ayee (1994) appropriately argues that “the emphasis is entirely appropriate for the task of implementing a Western institution in a very different environment”. Consequently, the traditional councils were side-stepped despite the recognition of their roles, and the indirect rule came to an abrupt end resulting in a new local government system introduced in 1951. As expected, resistance emerged from the traditional councils and the local people, who described the new local government system as ‘alien’. Ayee (1994) argues that the chiefs saw the new local government system as adopting entirely English local government to the Gold Coast in a different environment rather than evolving new forms of local government that was based on traditions of the Gold Coast.

I argue that Creech Jones’ dispatch, even though concise and partially successful, formed the knowledge-base for the current decentralization practices in Ghana; those words formed the power-base of decentralization; and those words created a ‘new regime of truth’ in Ghana. ‘Power’ which was initially used as an instrument of coercion by the colonial masters, became ‘diffused and embodied in discourse via knowledge and ‘regimes of truth’ (Foucault 1991:63). So even though the British government was forced to give up sovereign power and even leave Ghana completely after independence, that power was still operative through the knowledge (decentralization policies they introduced) they left behind. The discourses produced from the decentralization attempt served as the conduit for power, because it shaped or even limited the policy decisions made by successive governments after independence. Indeed, ‘power is everywhere’ and ‘comes from everywhere’ (Foucault

1998: 63). Power is not really an agency or structure in this sense, but constituted through accepted forms of knowledge.

From the foregoing discussion, I can identify three key axes that created and shaped the discourse of decentralization in Ghana. The first axis is power. Power in this context refers to the *progressive identification of problems* associated with the ‘chief and elders’ system of ruling in Ghana by the British to be treated with specific intervention. In this case, the labeling of the chiefs as wielders of too much power, incompetent and embezzlers of local funds within their own jurisdiction by the colonial masters gave them more power to intervene.

The second axis is knowledge. I use knowledge to refer to the *professionalization and recasting of the identified problems into neutral (scientific) terms*. This occurred in two main ways. First is the setting up of two committees, made up of problem-solving professionals⁵⁰. The second way can be seen in the use of terms like ‘efficient’, ‘democratic’, and ‘local’ by Arthur Jones to recast the local government system in Ghana. The British government at this point was defining what ‘efficient’ or ‘democratic’ should really mean to Ghanaian. Interestingly, they even defined what ‘local’ should mean to the locals themselves (i.e. Ghanaians). Power has indeed created a ‘field of control of knowledge’.

The third axis, resulting from the professionalization, and recasting of decentralization into neutral scientific terms, is the creation of ‘regimes of truth’. Creating regimes of truth involves the *institutionalization* of decentralization to treat the progressively identified problem with the ‘chief and elder’ government system. It also involves

⁵⁰ The two committees are the Coussey and Watson Committees. Watson committee was solely made up of British professionals, while the Coussey Committee was an all-African constitutional committee headed by Justice Coussey. The Coussey committee was made up of 36 African elite, including the chairman. Interestingly, twenty-three of the members including the chairman were nominated by the British governor (Biswal, 1992:44). So even though the Coussey committee were all-African, half of them including the chairman were really representatives of the colonial government.

creating networks of new sites of power/knowledge that bind people to certain behavior and rationalities. In the case of Ghana, the institutionalization started when the British government replaced the native authorities with democratically elected council. That institution lived on even after Ghana's independence from the British. Successive governments operated in the context of the laid down decentralization rationalities of the colonial masters. Consequently, different 'regimes of truth' were created after independence. These 'regimes of truth' are the result of accepted form of knowledge and institutions, and are reinforced (and redefined) constantly through the education system, the media, and the flux of political and economic ideologies that characterize successive governments after independence. In this sense, the 'battle for truth' is not for some absolute truth that can be discovered and accepted, but is a battle about 'the rules according to which the true and false are separated and specific effects of power are attached to the true'... a battle about 'the status of truth and the economic and political role it plays' (Foucault in Rabinow 1991). I briefly discuss how decentralization have been reinforced or redefined by successive post-independent governments in Ghana.

5.3.1.2 Post-Independence Decentralization Discourses: Just after independence in 1957, the Convention People's Party (CPP) led by Kwame Nkrumah replaced the colonial administration as government of Ghana. Nkrumah attempted to sidestep chiefs because the most powerful ones supported the opposition party called National Liberation Movement/Council (NLM/NLC). The CPP government created five regional, autonomous assemblies, but was forced to abolish the policy within a year because of resistance from chiefs and the NLM (Knierzinger 2009). In 1961, CPP succeeded in reforming the local government via the 1961 Local Government Act of the 1960 constitution. The Act made provision for a democratic, representative and

financially independent local government. The CPP introduced council elections and made the presidents of the councils paramount chiefs. Interestingly, these council presidents were appointed by the Ministry of Justice (and by extension the CPP government). Just like the British Government, Nkrumah resorted to manipulating the chieftaincy to achieve his aims despite reforms meant to democratize local government structures (Crawford 2004). Worse yet, Nkrumah's socialist policies⁵¹ failed completely, leading to massive resistance from the National Liberation Council (NLC), which toppled Nkrumah in a bloodless military coup on February 24th 1966.

The National Liberation Council (NLC) under the leadership of General J. A. Ankrah succeeded CPP. NLC acknowledged the power of local elite resistance, and therefore allied with the elites from the Ashanti Region, which has historically had the most powerful traditional rulers in all of Ghana: the Asanteman led by the Asantehene. To win their support, they made several recommendations via reports⁵² regarding local governance which found their place into the 1969 Constitution through the Local Administration Act of 1971. According to Ahwoi (2010: 23), the act “attempted to balance a system of quasi-autonomous elected councils and administration by agencies of central government.” Unlike Nkrumah's socialist economic policies, the NLC became pro-IMF (Boafo-Arthur, 1999:47), and initiated Ghana's first negotiation with the Bretton Woods institutions. Its standby agreement with the IMF covered trade liberalization, removal of subsidies, fiscal and monetary discipline, and more importantly, devaluation of Ghana's cedi. However, resistance emerged from a

⁵¹ Nkrumah's Seven-year Development Policy stressed industrialization through domestic production of import substitutes. His centralized policy and planning approach also included state provision of a wide range of social welfare services namely free education, health care, and housing. These socialist-oriented policies were centered on the continuation of the post-war increase in the prices of raw materials and agricultural goods, particularly cocoa (Hutchful, 2002:9). Economic problems such as overstaffing of state enterprises, corruption, and incompetence emerged with Nkrumah's socialist policies. By focusing on redistributing national prosperity, public expenditures soared. When cocoa prices fell in the early 1960s, the country's export earnings were unable to fund these state-led policies

⁵² The reports include the Mills-Odoi Report on the Structure and Remuneration of the Public Service, Siriboe Committee on to Enquire into Electoral and Local Government Reform, and the Akufo-Addo Commission on the Constitution of Ghana (Ahwoi 2010)

different source. Recognized professional bodies representing teachers, lawyers, and industrial workers, as well as the media resisted these market-oriented policies, forcing the NLC to hand over to Dr. K. A. Busia's Progress Party (PP) in 1969. The emergence of unexpected resistance against NLC underscores Foucault's words about the nature of resistance to power in a given discourse:

[There is] *a multiplicity of points of resistance*: these play the role of adversary, target, support, or handle in power relations. These points of resistance are present everywhere in the power network. Hence there is no single locus of great Refusal, no soul of revolt, source of all rebellions, or pure law of the revolutionary. Instead there is a *plurality of resistances*, each of them a special case (Foucault, 1990: 95-96).

PP sought to implement NLCs policies for strengthening local government. It also occupied itself with neo-liberal policies geared towards addressing the weaknesses in the private sector as well as reducing inflation. Its austerity budget of 1971 introduced taxes on imports, introduced a development levy, withdrew subsidies, liberalized trade, and abolished free education and transport. It also devalued the cedi by 44%. Again, another 'point of resistance emerged' when major segments of the population were discontented, and PP's austerity measures were cited by the military as reasons for toppling their party on January 13, 1972 by the National Redemption Council (NRC).

NRC's greatest change to decentralization policy in Ghana was achieved through the Local Government Amendment Act (Act 359). Local government power, including financial autonomy, was reassigned to the central government. The civil service, paid by the central government, subsequently became bloated with loyalists, friends, and family members of the NRC. The act abolished elections for local councils. Instead, central government appointed two-thirds while traditional authorities chose the remaining one-third of the local council members. To extend their power further,

NRC also created the position of the District Chief Executive (DCE) as the head of local governments, which remains today. The NRC government proposed the DCE as a technocratic appointment. That was an unrealistic policy venture, knowing very well that the civil service largely consisted of NRC loyalists.

Again, resistance emerged. Unlike the external resistance to previous government, this emerged from within the NRC government. Internal conflicts between NRC loyalists⁵³ lead to the Superior Military Council (SMC) replacing the NRC in 1975. This internal resistance to power depicts one of Foucault's great contributions to understanding of power in a given discourse. He criticized the traditional conceptions of power as something 'repressive, top-down, and homogeneous or monolithic', and in contrast stressed that 'there are irreducibly multiple and heterogeneous forms of power flowing in every direction within the social fabric, and offering multiple points of resistance' (Foucault, 1990:95). Worse yet, the internal resistance of SMC, coupled with massive corruption and economic mismanagement lead to their collapse. The Armed Forces Revolutionary Council (AFRC), a group of junior military officers led by Flight Lieutenant Jerry Rawlings, overthrew the SMC.

After a quick election organized by AFRC, the People's National Party (PNP) was elected. The 20th Chapter of the 1979 constitution that followed introduced elections for two-thirds of local government councilors, with traditional authorities retaining the capacity to appoint the other one-third. Unfortunately, the PNP was not able to enact the policy as their regime lasted for only two years. Rawlings and his Provisional National Defense Ruling Council (PNDC) overthrew the PNP in 1981. Their charge: incompetence in reviving the Ghanaian economy. Mismanagement under the NRC/SMC had resulted in an era in Ghanaian social life where destitution and

⁵³ The resistance was in the form of pressure mounted on the government to change from military to civilian rule.

despondency became the order of the day (Gyimah-Boadi, 1993:2). The PNP did consider seeking external assistance, including IMF loans, to revive the economy. But resistance in the form of domestic pressure groups such the Association of Registered Professional Bodies (ARPB), the National Union of Ghana Students (NUGS), and the Ghana Bar Association (GBA) compelled the government to withdraw from the negotiation. The military concluded that the PNP was incompetent, and therefore ended their power in a coup d'état in December 31, 1981. Until this point, administrative decentralization (i.e. deconcentration) has marked all governments⁵⁴. The PNDC military regime wanted a change for devolution⁵⁵.

However, three geopolitical and socio-economic conditions stifled a desirable change from administrative to political decentralization (i.e. devolution). First, the military regime of the Provisional National Defence Council (PNDC) led by Flt. Lt. Jerry John

⁵⁴ Just like Ghana, decentralization proceeded in the form of deconcentration in almost all African countries. South Africa experienced a wave of such “decentralization” in the late 1950s and early 1960s (de Valk 1990:4). Under one-party rule, Zambia had decentralization reforms in 1969, 1971 and 1980 in which the party’s political control over district administration gradually increased (Therkildsen 1993:82). Kenya decentralized in 1964, 1970, 1974 and 1982, but created a system that reduced the importance of local government. Kenya’s last decentralization, called “district focus”, in 1983, “intended to increase efficiency of central government administration rather than promote local autonomy or popular participation” (Conyers 1993:28). Senegal maintained a system of ruling party control and administrative oversight that strangled local autonomy (Ribot 1999). Mali created elected local councils in 1979, but did not give them powers (Diallo 1994:1). Zimbabwe deconcentrated powers to local administrators in 1984, focusing on creating planning committees (Conyers 2001:2). Nigeria began a stop-and-go decentralization process in the 1970s, introducing elected local government in 1976, and devolving major functions including law enforcement, maintenance of roads and bridges, rural development responsibilities, agricultural development, health care, and water and housing provision to elected local governments in 1976 (Rondinelli et al.1989; Crook and Sverrisson , 2001:34). Through the 1960s, 1970s and 1980s, decentralizations across the African continent failed to produce autonomous representative local government units. They failed to devolve significant powers to local representative bodies, or budgetary decisions to the local level (Oyugi, 2000: 17; UNCDF 2000:2).

⁵⁵ The call for devolution in Ghana was actually a response to the emergence of a pluralist decentralization in discourse in Africa at large (Ribot, 2000). The SAPs, requiring a reduction in national spending, forced many governments including Ghana towards these reforms. Local resistance was also a facilitator for the call. “Political decentralization has assumed a new meaning, away from the imposition of centralized monolithic values, towards a much more rights-based culture” (UNCDF 2000:3). Decentralization is now being promoted in a context of pluralist discourse, emphasizing greater representation of citizens as well as state reforms toward market-based development with SAPs in Africa. At that point, decentralization was viewed as a way of supporting local governance and improving the efficiency and effectiveness of service delivery to local populations (equity). Policies of decentralization are pursued for both developmental and political reasons—emphasizing the plurality of the discourse. De Valk (1990:3–6) argues that emphasis has shifted from the political justifications—national stability, garnering popular support, “petty politicking” and so forth—of the 1950s and 1960s, to the developmental value of decentralization.

Rawlings (1981–92) banned all political party activities. Second, a deteriorating national economy (1980–4) reduced the real income of bureaucrats by more than 50 percent (De Merode and Thomas, 1994); and third, SAP (1983–8) initiated by the World Bank, forced governments to develop decentralization policy reform in order to reduce Central Government (CG) size and responsibilities (Mohan, 2002).

After the PNDC seized power in 1981, Flt. Lt. Rawlings announced that “power will not be concentrated at the top anymore” (Yeebo 1985:66). Decentralization was fundamental to the PNDC’s ideology, so they introduced the PARDIC (Public Administration Restructuring and Decentralization Implementation Committee) to review all the changes and initiatives of local governance that had been discussed and taken place since independence. The committee issued an 11-point decentralization policy designed to promote political decentralization (devolution). However, the policy was abandoned in practice. PNDC appointed district secretaries and interim management to manage local council on behalf of their military regime (which is deconcentration). After transferring many central government ministries and about 86 functions to the local government units to improve efficiency, they redefined their decentralization vision as ‘the *devolution of central administrative (not political)* authority to the local level in order to ensure popular grassroot participation’ (PNDC, 1983:3).

The second and third factors operated concurrently. The desire to change from their initial conception of political to administrative decentralization was reinforced by the prescription of structural adjustment program that was instigated by the World Bank in 1983 in a package that included rationalization, retrenchment and divestiture of some government services (Awortwi, 2010)⁵⁶. The bureaucrats who had resisted the SAP till this point faced an economic crisis with their worsening real income. The

⁵⁶ An interesting irony worth pointing out is that the SAP measures designed to enhance efficiency by cutting down administrative decentralization and promoting devolution instead hindered devolution in Ghana

SAP looked like the only available option. The SAP conditions to Ghana included an administrative reform program—size and structure reform; comprehensive restructuring of pay, grading and an incentive system to motivate and attract high-caliber staff; and an institutional training program to reorient civil servants to the changing needs of the service (Awortwi, 2003:116–18; Larbi, 1995). In the absence of strong resistance from political parties or labor unions, 47,439 civil servants, many of whom worked at the local level, were laid off (Ayee, 1991).

To cut down government expenditure in order to meet the conditions of SAP, the PNDC decreed in July 1985 that only 50 percent of the salaries and wages of Local Government employees (and recurrent expenditure of 22 deconcentrated government departments) would be paid by the Central Government. This caused extreme hardship and large arrears accumulated in the Local Governments. Hutchful (1997) shows that administrative reforms failed to break the resistance of the senior civil servants who were considered responsible for the inefficiencies and shortfalls of the old system. Perhaps the PNDC government failed to recognize that ‘power’ in a given discourse is not necessarily sovereign, but can emerge from anywhere, even among the commons (Foucault, 1983). As it turned out, the SAP program did influence the military regime to still pursue administrative decentralization. It did achieve some of its economic goals, but it also produced devastating social consequences. It is therefore not surprising that Program Action to Mitigate the Social Cost of Adjustment (PAMSCAD) policy was introduced to address the social mess created by the SAP⁵⁷.

⁵⁷ Historical data and logic are vital to understanding development program suitability (Ogbimi, 1992). It has been argued so far that SAP is logically not a development program (Ogbimi 1992), because it was adopted as a ‘necessary evil’ by most African countries (Svedberg, 1983). Historical parallels confirm the logic. After the First World War, Allied powers subjected the Germans to mandatory SAP to enable them to pay war reparations. One dollar exchanged for 4.2 marks in 1914 before the War. In 1920, one year into Germany's SAP, one dollar exchanged for 63 marks. The exchange rate fell with time, reducing the purchasing power of the German mark. One dollar exchanged for 2,000 marks in 1922. The mark was virtually eliminated in 1923; one dollar exchanged for 4.2 trillion mark (Stolper et al, 1967) Every German was impoverished and disgraced. The impact of mandatory devaluation on Germany's economy should be viewed against the

In July 1987, PNDC launched a three-tier Local Government system in response to pressure from the international donor communities, and pressure groups in Ghana. In addition to the existing 65 local councils, it created 45 new Local Government territories under the jurisdiction of district assemblies (DAs). Regional councils were created to coordinate the Local Governments. Below the MMDAs, PNDC proposed to establish sub-district authorities, town councils, and unit committees as the lowest structures to provide focal points for discussion of local problems and take remedial action. However, with pockets of pressure groups beginning to coalesce around remnants of banned political parties, PNDC decreed that elections to the MMDA were to be on an individual, not political party, basis (Awortwi, 2010).

Furthermore, chiefs and traditional authorities were not allowed to be involved in politics—ostensibly to insulate them from the deception associated with politics, but actually to prevent local coalitions from becoming strong enough to negotiate power-sharing with the regime. At the community level, the regime established populist People’s Defence Committees (PDC) and later Committees for Defense of the Revolution (CDR) in every Ghanaian village and town to mobilize support for its own agenda and to undermine the authority of the traditional chiefs who were considered hostile to the regime. At this point, the PNDC as a military regime recognized possible local resistance groups as threats to its administrative decentralization agenda.

In the late 1987, the Akuse group was commissioned and provided a blueprint for the development of the local government system (Crawford 2004). The result was the introduction of what is termed as ‘proper decentralization’ in 1988. To that effect, about 4,846 councilors (assemblymen and women) were elected for a three-year term.

backdrop of Germany as a world power even at that time. It is therefore not surprising that the artisan-economies of Africa such as Ghana, subjected to the same type of program, yielded devastating social consequences.

Most of the elected councilors were members of the CDR. To further strengthen their control at the local level, the regime appointed another 2,423 councilors to make a total of 7269 nationwide. While the regime justified the need to appoint some technocrats and well-respected community members who are put off by the electoral process, the appointment of one-third of the councilors was to guarantee a place for the supporters of the regime, especially those who were not elected. The appointment of the councilors was also to build a locally based political class in anticipation of future national democratization process (Gyimah-Boadi, 1990).

PNDC Law 207 was introduced, which made LGs the highest political and administrative authority at the local level and responsible for the overall development of local areas. Instead of allowing the councilors to elect one of their own to be the Mayor in a form of weak mayor system or direct election of Mayors (strong mayor system), the regime continued on the path where District Chief Executives (DCEs) or Mayors were appointed. The regime appointed politically loyal cadres to head the administration of the LGs who can only be removed by Flt. Lt. Rawlings and not the elected councilors or the people.

Finally, with international donor pressure and resistance from banned political groups, the PNDC was compelled to return the country to multiparty democracy. However, it managed to exclude LGs from the multiparty process because donors and political groups were more concerned with national politics and less about LGs. As a result, a partisan CG political system was superimposed on a non-partisan LG system. The 1992 democratic constitution endorsed PNDC Law 207 (later transformed to Act 462). Kwamena Ahwoi—former PNDC Secretary for LGs and an architect of Ghana’s decentralization program sums up the situation as:

The regime was not allowed to develop the path that it wanted. The introduction of [a] constitutional era distorted the path that we had in mind. The PNDC did not have the support of CG bureaucrats; so, instead of devolution that we wanted, civil servants found ways of dribbling us into implementing [a] deconcentrated system. Though in the spirit of the law the current decentralization aims at promoting devolution, actual practice is deconcentration or at best nominal devolution. (Ahwoi cited in Arthur, 2012: page 50)

It is within these complex historical, geopolitical and socio-economic conditions that fiscal decentralization emerged. The discourses take another turn again, this time not from administrative to political decentralization or vice versa, but towards fiscal decentralization, which is the crux of this research project. What happened next with power, knowledge and truth in connection with fiscal decentralization policies and practice is worth discussing.

5.3.2 Policy Design Process for Fiscal Decentralization in Ghana

Fiscal reform was the last decentralization policy to be introduced. Until fiscal decentralization was introduced in 1994, there was no basis for calculating grants to LGs and only small amounts were given at the discretion of the LG ministry. Normally the CG would wait until November/December to transfer its unspent money to LGs.

In 1990, the CG allowed MMDAs to collect some taxes until then collected by the internal revenue service. This revenue was shared by all the local councils according to a formula determined only by the LG ministry, at least until 1994. In 1994 the ceded revenue was replaced by a constitutional provision mandating the CG to transfer five percent of the national revenue to LGs. An independent common fund administrator was appointed to develop a formula for sharing out the fund.

Article 204 (2) of the Constitution provides that “There shall be established for each local government unit a sound financial base with adequate and reliable sources of revenue”. Section 252 of the Constitution envisages the establishment of the District Assemblies Common Fund, to which should be 5 percent of the total national revenue, to be distributed among the districts through a formula approved by Parliament. The District Assemblies Common Fund was established with the District Assemblies Common Fund Act No. 455 of 1993.

Two key structural issues underlie this fiscal decentralization policy. First, 85 percent of the local government finances were controlled by the central government. Second, 90 percent of staff operating at the local government level is on the payroll of the central government (MLGRD, 2005). These two issues have created tension and power struggle between the central government and local government till today.

Interestingly, the central government (CG) questions the knowledge-base and management capacity of MMDAs to take care of their own finances, while the MMDAs claim that they can only prove themselves when they are allowed to manage all their finances (Koranteng, 2008: 123) Also, significant amount of off-budget fiscal resources have been channeled to the Districts by donors, thereby escaping the MMDAs administrative control (MLGRD/DS, 2005). Another issue is that some Ministries (such as education and health) have devolved an increasing proportion of their budgets to the local level, but those monies still remains outside of MMDAs control. Why has fiscal decentralization eluded the MMDAs?

It boils down to the fact that the cost of implementing FD to the central government bodies (ministries especially Ministry of Finance and Economic Planning (MFEP)) is a loss of significant power. For instance, the MFEP argue that MMDAs will interfere

with the SAP when they are given unrestrained spending power. Recall that in the preceding section, I highlighted Ghana's spending cuts as one requirement of SAP. Therefore, the SAP was used as an excuse to control local government spending capacity. What really happened with the fiscal decentralization policy process?

Table 5.4 is a summary of the various stakeholders of fiscal decentralization policies and practices in Ghana. The stake, level of interest, level of power (capacity for mobilization), and attitude toward fiscal decentralization of each stakeholder is captured in the Table 5.4. I consider the details of the power struggle by reviewing each stakeholder.

MFEP- The control mutants: As mentioned earlier, MFEP resist fiscal decentralization because they claim MMDAs do not have the capacity to manage huge financial resources. The key question here is: which comes first in policy process, is it capacity building towards fiscal decentralization, or fiscal decentralization towards capacity building?

MPs-Latent but Influential Power: Members of Parliament (MPs) are constitutionally charged with supervisory and oversight roles of their respective districts. The constitution provides the MP's share of the common fund for this role. Interestingly, the public (electorate) consider MPs as the focus of district development, instead of MMDAs. More was expected of these MPs than what they actually do, considering their constitutional and legal resources, as well as their high capacity for mobilization. Instead, MPs have been more concerned with bargaining for an increase in their own share of the DACF. They even question having to receive their share from the District Chief Executive (DCE), instead of receiving it directly from the central level. The power struggle continues.

Table 5.4: Stakeholders influence on Fiscal Decentralization policy and practice in Ghana

Stakeholder	Stake	Interest in Legislation	Resource Available	Resource mobilization capacity	Position
Ministry of Finance and Economic Planning (MFEP)	Macroeconomic stability and fiscal discipline	Low	Financial organizational and legitimacy	High	Opposition Negative
Members of Parliament (MPs)	MPs Share in DACF	Medium	Constitutional, legal and legitimacy	High	Latent, Positive
Sector Ministries (such as Health)	Control over sectoral fiscal resources	Low	Information, Organization and Legitimacy	High	Opposition Negative
Metropolitan, Municipal, District Assemblies	Matching resources to implement transferred functions to districts	High	Constitutional, legal, and legitimacy	Low	Promoters, Positive
Ministry of Local Government and Rural Development	Centralization and control over resources	Lukewarm/medium	Technical, information and legitimacy	Medium	Promoter Positive
DACF administrator	Fair allocations of DACF to DAs	High	Constitutional, legal and legitimacy	High	Promoter Positive
Donors/development partners	Strengthening the overall capacity of DAs	High	External networks, financial, technical	High	Promoter Positive

Source: Adapted from Koranteng, 2008

Sector Ministries-bureaucratic conservatives: Sector ministries (like health, education) argue that fiscal decentralization is not economically or financially viable, considering the many MMDAs and sub-divisions (town, urban and zonal councils) in each jurisdiction. To these ministries, fiscal decentralization works against economies of scale, having to divide resources into smaller fragments. The ministries argued that

with such greater financial fragmentation, accountability will be poor while corruption worsens at the local level. However, the counter argument from MMDAs is that corruption has always been worse at the central level relative to the local level. Such sector ministries prefer deconcentration of their centralized sector activities to the local level. They mobilize their information (knowledge), organization and legitimate resources to oppose fiscal decentralization policies and practice.

Metropolitan Municipal District Assemblies-General without Armies: MMDAs of course, argued for fiscal decentralization. They consider themselves as more responsive and accountable to the needs of their localities. Their interest in local level development is high. Unfortunately, their mobilization capacity is low because their activities have been legitimately premised on unpredictable and conditional DACF transfers. Also, they have faced resistance from MFEP and sector ministries, which fail to yield to their request. Notwithstanding, they have contributed positively towards fiscal decentralization.

MLGRD-The Centralized Caricature: As the supervisory ministry responsible for planning, monitoring and evaluating fiscal decentralization, MLGRD issue written financial and management instruction to MMDAs after consulting the Minister of Finance. MLGRD play this role reluctantly. They still lean towards centralization, because of their failure to relinquish significant amount of district infrastructure and investment they control (Koranteng, 2008). Even though MLGRD have the mandate to promote Fiscal decentralization, their position is lukewarm.

DACF Administrator-Just another Central Representative: Even though selected as an independent body, the DACF administrator is constitutionally appointed by the

President of Ghana, with approval of Parliament. The DACF disbursement formula devised by the Administrator (RENS factor) has been apolitical. Per my multivariate regression analysis, politically motivated targeting is the most insignificant relative determinant of DACF transfers (with a significance level of 0.935). So, it is only fair to rank their contribution as positive promoter of fiscal decentralization. Notwithstanding, the appointment of the administrator by the President inspire some form of political agenda. This may explain why equality, instead of equity, has dominated the DACF formula. Subtle political interference exists in the sense that a ruling party creates more MMDAs in their stronghold to increase their share of the equality factor, which the administrator allocates a greater proportion of DACF. As already discussed, and depicted in Table 5.7, election results have a relatively strong positive correlation of 0.253 with the MMDAs' DACF transfers. More importantly, the results in Table 5.7 also show that the correlation between the two is statistically significant (0.025 level). However, the contributions of such political intervention diminish relative to the four factor DACF formula.

Donors and Development partners: Whenever donor and development partners provide financial assistance, they require deconcentrated implemented policies (as in the case of SAP). As a result, donors rely more on the sub-ministries, departments and agencies, instead of the MMDAs. Donors use structures and approaches that do not enhance fiscal decentralization policy in Ghana. For instance, donors in Ghana support separate health and education programs via coordination between the health and education ministry, which strengthen the capacity of the sectoral ministries. As already discussed, these ministries are opposed to decentralization. Jutting et al (2004) rightly noted that donors have simultaneously supported decentralization and sector-wide-approaches (SWApS) that tends to recentralize power.

5.3.2.1 *The Composite Budget Policy: The Way Forward for Ghana's Fiscal Decentralization?*

To improve accountability, efficiency and equity in Ghana's fiscal decentralization, revenue and expenditure assignments should be clearly defined. In practice, the involvement of different local development stakeholders (as depicted in table 5.8), each with their own agenda undermines the autonomy of MMDAs. In recognition of these problems, MMDAs were directed to prepare what is termed as 'composite budget' for the 2013 fiscal year. The composite budget seeks to harmonize the budget of all decentralized departments and bring them under the ambit of the MMDAs' budgeting process.

Even though composite budget was fully implemented in 2013, the policy dates back to 1993. It is defined under Section 92 (3) of the Local Government Act of 1993 as:

'The budget for a district shall include the aggregate revenue and expenditure of all departments and organizations under the District Assembly and the District Co-ordinating Directorate, including the annual development plans and programmes of the departments and organizations under the Assembly.' In 2003, a pilot was implemented in 3 districts namely Dangme West, Dangme East and Akuapim North, and was extended to 25 districts in 2005. In 2006/07 all districts in the country prepared their Composite Budgets but never implemented them. It was not until 2011 that a vital step were taken to enable Composite Budgets to be prepared and implemented by all MMDAs.

The step involved the creation of a composite budget manual designed to facilitate and guide the preparation, approval, execution, monitoring and evaluation of composite budget at the local level. In terms of process, the Ministry of Finance and Economic Planning (MFEP) set up National and Regional Technical Working groups to put together the manual. Also, other stakeholders who influenced the preparation of the manual are Ministry of Local Government and Rural Development (MLGRD),

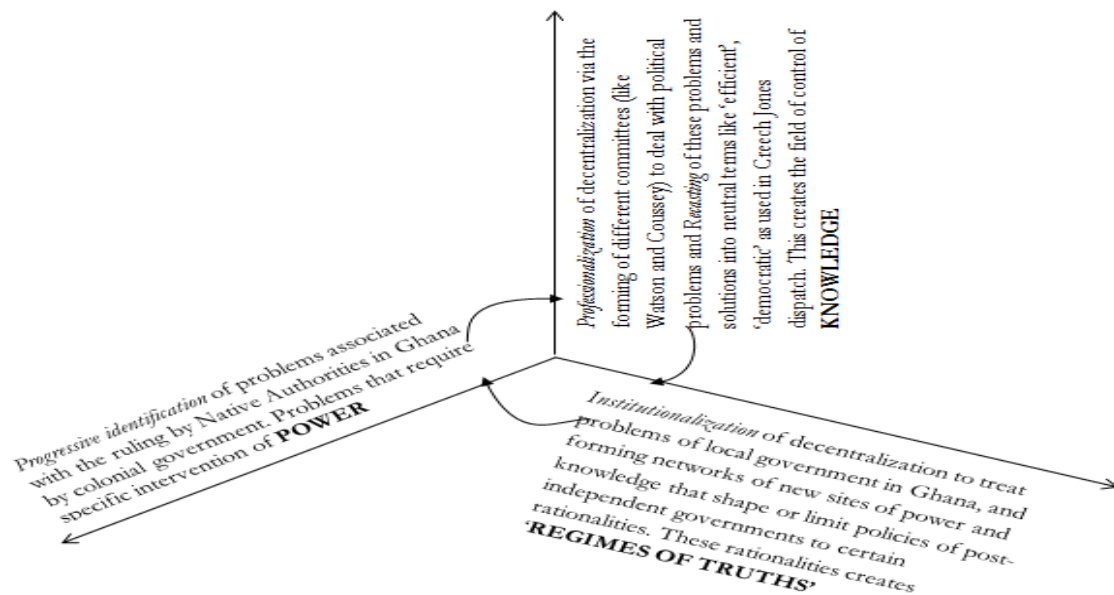
Controller and Accountant General's Department (CAGD), Auditor General's Department (AGD), National Development Planning Commission (NDPC), Local Government Service (LGS) and Institute of Local Government Studies (ILGS), and Regional Budget Officers. Also noteworthy is the influence and suggestions provided by MFEP's Development Partners, (especially, EU in collaboration with German Society for International Cooperation-GIZ). This policy initiative manual would upscale full implementation of fiscal decentralization and ensures that the utilization of all public resources at the local level takes place in an efficient, effective, transparent and accountable manner for improved service delivery. The degree to which this composite budget can achieve its goal in practice remains a big research question for the future.

However, I anticipate a few problems based on the policy design process. First, missing from the list of stakeholders who created the manual are the MMDAs themselves. While MMDAs are charged with the actual creation of the budget, they were exempted from the creation of the budget manual. The exemption of MMDAs reinforces MFEP as *control freaks*—*freaks* who view MMDAs as technically incapable of contributing towards preparing their own budgeting manual. Second, the manual for the composite budget might be vividly drafted, but not exhaustive. It still does not capture the budgets of NGOs, donors, development partners who are very vital sources of revenue for local government financing. However, I must admit that the details of the manual look quite promising. It involves MMDAs more in the implementation process, and even creates different platforms for individuals of all education levels to contribute towards the budget. However, time will tell us more about the essence of the composite budget towards Ghana's fiscal decentralization.

5.3.3 Summary of CDA

Much has been discussed in this section, especially because of the messy genealogy that forms the foundation of Ghana's fiscal decentralization. Figure 5.4 captures the key axes of these decentralization discourses.

Figure 5.6: The Axes of Decentralization Discourse in Ghana



Source: Adapted from Escobar, 1995

I identify two key lessons from the detailed historical and socio-economic analysis of decentralization in Ghana. First one is “in the true” only by obeying the rules of a discursive “policing”. (Foucault, 1970:61) As noted by Foucault, these rules and policies of government are not defined by traditional notions of sovereignty, neither the rule of law nor political domination, which are themselves elements of a pervasive discourse of the state, but the rules of knowledge and power operating within the practice of government. That explains why each governmental regime faced some resistance from chiefs, professionals (lawyers, academicians, and health practitioners), international communities, even from Party loyalist. Also, that explains why even in the absence of colonial administration after independence, the British approach to

decentralization policy design was still implemented. Just like the British government, post-independence governments set up committees and commissions to review and reform local government (see Table 5.5). It is striking to note that as if by design, with the exception of SMC1, the other three governments each established three Commissions/Committees. What is quite common among the various reports that were issued by the Commissions/Committees was the recognition of the chiefs' role in local government, although not all the governments implemented the findings of the reports.

Table 5.5: Commissions and Committees into local government reforms in Ghana, 1957-1982

Regime	Head of State	Year	Name of Commission/ Committee
CPP	Dr. Kwame Nkrumah	1957	Greenwood
CPP	Dr. Kwame Nkrumah	1958	Van Lare
CPP	Dr. Kwame Nkrumah	1965	Boison
NLC	Gen J.A. Ankrah	1967	Mills-Odoi
NLC	Gen J. A. Ankrah	1968	Akuffo-Addo
NLC	Gen J.A. Ankrah	1968	Siriboe
SMC1	Gen. I.K. Acheampong	1974	Okoe
PNDC	Flt. Lt. J.J. Rawlings	1982	Kufuor
PNDC	Flt. Lt. J.J. Rawlings	1982	Sowu
PNDC	Flt. Lt. J.J. Rawlings	1982	Kaku-Kyiamah

Source: Adapted from Aryee (1994)

The point here is that fiscal decentralization is not a totally 'alien policy', even though it originated with colonialism. The creation and recreation of its various discourses occur as a result of struggles at the international, national and local level. The international bodies like IMF, World Bank, UN-Habitat, NGOs, AU (Victoria Declaration), and European Charter have contributed to the theory and practice of fiscal decentralization in Ghana. National bodies like MFEP, MLGRD, Sector Ministries, political parties' National committees (as depicted in Table 5.4) and ministries have all contributed to the shaping of fiscal decentralization discourses. At

the local level, resistances from organized professionals like teachers, lawyers, and community groups have also shaped these policies.

Second, this historical review of Ghana's geopolitics of decentralization challenges the notion that policy making is a 'rational' process based on incontestable evidence or truth. Evidence or information used in policy making is created within the confines of the discursive formations, so that the 'truth' conforms to the rules and norms of the discourse. Foucault terms these processes 'the will to truth', the effect of which is to mask the discursive formations. However, this review reveals that it is equally vital to understand how the policies came to be. The current decentralization policies (as captured by the 1992 Constitution of Ghana) emerged from long historical regimes of policies, with colonial administration policies being the foundation. It emerged from the shaped and reshaped discourses of decentralization through time. It emerged from the identification of policy problems, setting up of committees of society-recognized professionals to produce recommendation that deal with the problems. It emerged from creating formal institutions to implement the recommendation, as well as local, national and international resistance that followed each policy. Without such detailed analysis, "all that appears to our eyes is a truth conceived as richness, fecundity, a gentle and insidiously universal force, and in contrast we are unaware of the will to truth, that prodigious machinery designed to exclude." (Foucault, 1970: 56)

CHAPTER SIX

CONCLUSION, RECOMMENDATIONS, FUTURE RESEARCH

This research project has been a challenging but rewarding academic experience. I have gained a lot of experience—from the shaping of the research project topic, to the visiting of MMDA head offices in Ghana to collect data, to being interrogated by Municipal/District Chief Executives who were reluctant to release jurisdictional financial reports, to dealing with missing datasets, to a first-time engagement in applied regression and discourse analysis, and finally writing and shaping the thesis. However, this research project did more than add to my personal research experience. More importantly, it contributed to knowledge in two broad areas: the fiscal decentralization or largely the public policy literature, and geographical knowledge production.

6.1 Contributions to the Fiscal Decentralization Literature and Suggestions for Future Research

First, I have contributed to the fiscal decentralization literature, using Ghana as a case study. I answered two key fiscal decentralization questions in this thesis. ‘Is fiscal decentralization working in Ghana?’ is the first question I addressed. My answer to that question is ‘no’. Fiscal decentralization is a partially successful policy in Ghana. This is broadly consistent with the findings of other studies. While other scholars have reached similar conclusions in their evaluations, this research project still adds to knowledge in three ways. First, conclusions from former studies in Ghana were based on old datasets and policy reports (1994-2004) only. However, I added to the literature by using more recent datasets (2005-2012). Second, previous studies focused either on revenue only or expenditure only in evaluating fiscal decentralization while my study evaluated both. My quantitative data analysis revealed the advantages and disadvantages associated with both revenue and expenditure fiscal decentralization in

Ghana. Third, I addressed the question from a geographical perspective. I used a time-series and regional comparisons (which reveal spatial differences as in the case of my using the distribution quotient) in my analysis, making this research project ‘spatio-temporal’.

The second question, ‘why was Ghana compelled to adopt fiscal decentralization?’ has been answered through a critical discourse analysis. By drawing lessons from Foucault’s genealogy and Escobar’s development studies via discourse analysis, I have revealed how power, knowledge and truth have created and shaped the fiscal decentralization discourse in Ghana. Not only did I trace a historical origin of fiscal decentralization in Ghana, but discussed how multiplicities of power (many versions of power) have created different knowledge and practices which created or shaped fiscal decentralization policies in Ghana. My CDA revealed that fiscal decentralization is not an entirely ‘alien’ policy to Ghana. While various international powers (influence of colonialism, European-Charter on Fiscal Decentralization Principles, UN-Habitat, IMF, World Bank, Victoria Declaration) played influential roles in the introduction of fiscal decentralization in Ghana. Both local and national powers/resistances (including ministries, local governments, Member of Parliament, local elite, chiefs, and academics) have contributed to the knowledge, and truth-regimes that shaped fiscal decentralization in Ghana. Also, the geopolitical and socioeconomic climate in Ghana was very influential in the creation and shaping of fiscal decentralization discourse in Ghana. In conclusion, Ghana was compelled to implement fiscal decentralization through a ‘multiple triangulation of power, knowledge, and truth-regimes’. I use ‘multiple’ in the sense that ‘power, knowledge and truth’ operates at the international, national and local scales to create and shape fiscal decentralization policies.

Here lies the need to rethink fiscal decentralization policies in developing economies. Instead of solely blaming the international community for the ‘unmaking of the third world’ via their subtle imposition of policies such as fiscal decentralization, policy makers/development experts, academicians should look and address the problems that arise within their own boundaries, and between their own people as far as the ‘so-called alien policies’ are involved. The issue is more about country-specific *adaptation* to fiscal decentralizations policies than a mere *adoption* of ‘alien’ policies. Therefore, a whole new research window opens here. The research task involves identifying or even comparing how country-specific ‘triangulation of power, knowledge and truth’ shape fiscal decentralization over time. The future research task also include identifying/comparing how such country-specific adaptation to fiscal decentralization policies creates an effective geopolitical economy or otherwise.

6.2 Contribution to Geographical Knowledge Production

Apart from contribution to the fiscal decentralization literature, this thesis has added to geographical knowledge production. I have contributed to applied geographical knowledge in three specific areas. First, I have demonstrated how geographers can apply ‘Simandan’s wise stance in human geography’ to their own geographical research. Building on ‘Simandan’s wise stance’ arguments and Grix’s work on the basic concepts of social science research design, I have developed a conceptual framework (refer to chapter 3, page 56), and demonstrated how the framework can be applied to geographical research. In the case of this thesis, the framework guided my analysis chapters, by addressing two key questions about the need to rethink fiscal decentralization policies in Ghana. ‘A wise stance’ for me is one that is based on plural ontologies, epistemologies, methodologies, methods and data; one that does not esteem the normative above the positive approach but consider all as relevant to

addressing my research question. I suggest that this 'wise stance' should not be limited to human geographers only. All geographers (including geomatist and physical geographers) can all benefit from this stance. The so called 'traditional/conservative' research methods are still useful to the geographer. Likewise is a strong prescriptive component in geographical research.

Second, I have re-echoed Ron Martins' plea for 'unity in geographical research' through this thesis. While there is nothing wrong with specialisms in the geography discipline because of its broad and diverse nature, forming non-communicating cliques in the discipline is detrimental. Consider the situation of a graduate student who is caught between implementing suggestions made by three different supervisors, each with a different ontological/epistemological positions. While the student will benefit from the rich and diverse suggestions, he/she will be faced with a dilemma when each supervisor insists on his suggestion by pointing out and downplaying the weakness of the other two ontologies. While this student can exploit this diversity to his advantage, he/she becomes more confused when each supervisor insists his approach is the only way out. In my case, it seemed 'suicidal' for me to use quantitative analysis alongside a discourse analysis for my project at the early stages of this thesis. But it all worked out. In fact, using these two seemingly contrasting approaches have been very helpful in addressing my two key research questions and ultimately making my case. Therefore, I re-emphasize Ron Martins call for geographers to come together, and exploit their specialisms/diversity to advance geographical knowledge, instead of forming non-communicating cliques. This is especially important now, considering the increase in specialisms in the discipline.

Third, I have highlighted the need for geographers to engage themselves more in public policy research. One less researched aspect of geographical knowledge

production is public policy. It is therefore vital that I point out that public policy research is not a monopoly of economics or political science. It is an avenue of research to which geographers can make significant contribution. Public policy should be of concern to geographers since it has 'SpaceTime' characteristics. The city, avalanches, climate change are of interest to the geographer because they have spatial structures and processes. And so does public policy. Structured policies exist by virtue of some underlying spatial processes, and therefore should interest geographers. I therefore invite geographers to explore some of my suggestions on the direction future research on fiscal decentralization/all public policies in developing economies should take.

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APPENDICES

Appendix I: Detailed IGF performances of MMDAs per region (1994-2004)

Fig 5a: Rates Revenue per MMDA for All Regions in Ghana (1994-2004)

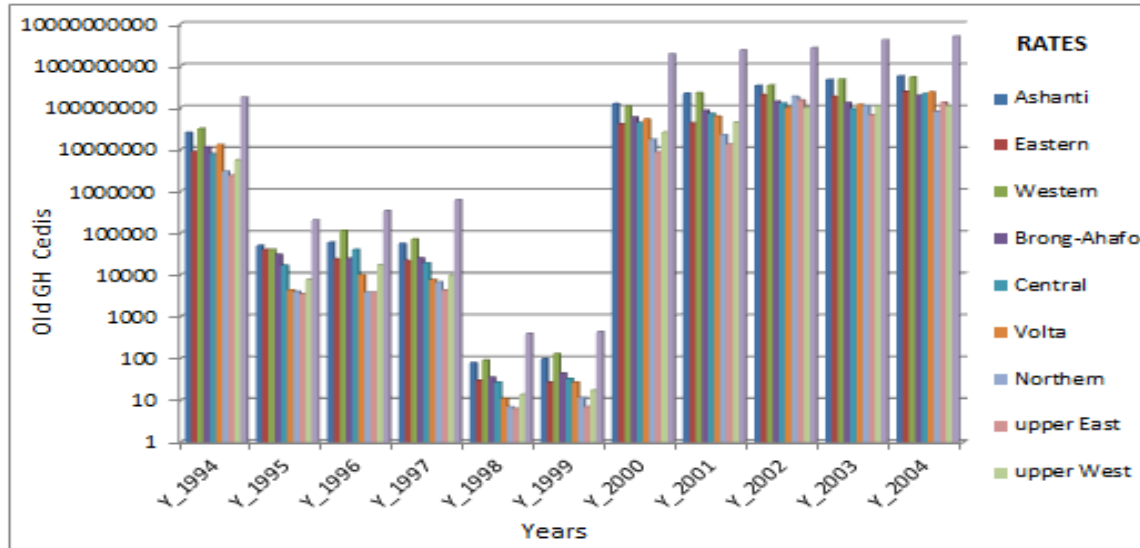


Fig 5b: Land Revenue per MMDA for All Regions in Ghana (1994-2004)

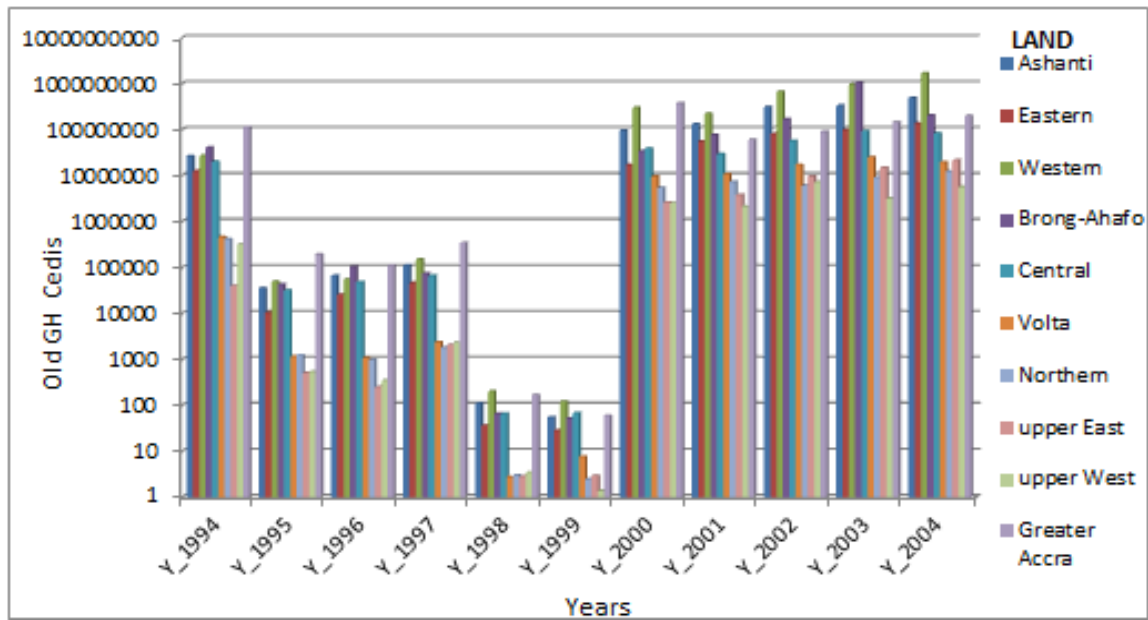


Fig 5c: Fees and Fines Revenue per MMDA for All Regions in Ghana (1994-2004)

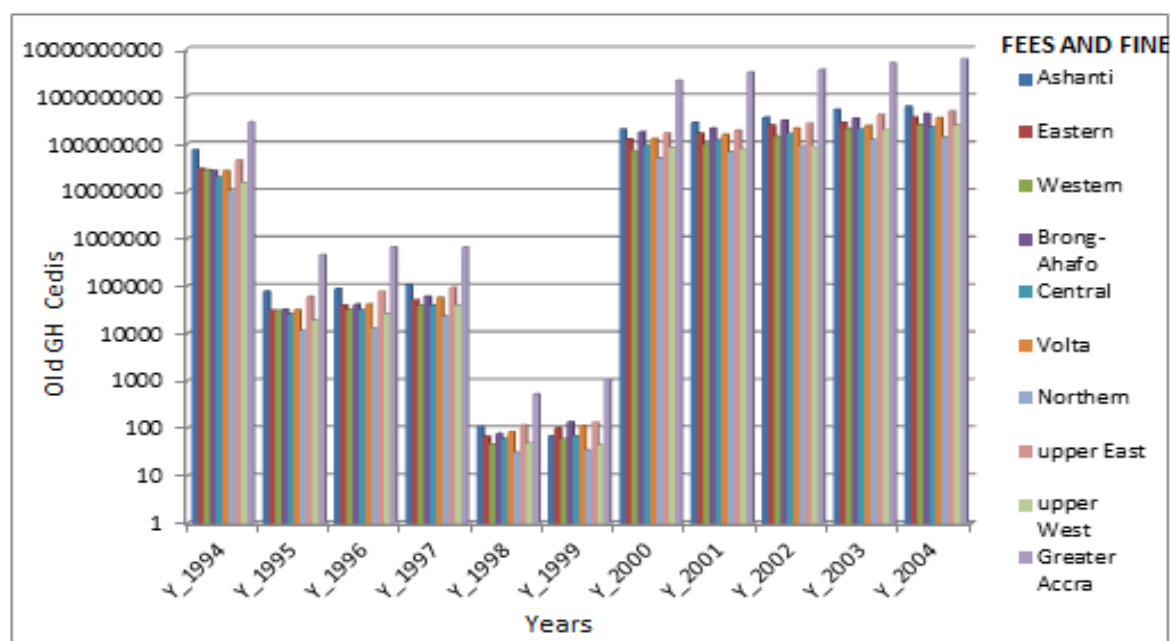


Fig 5d: License Revenue per MMDA for All Regions in Ghana (1994-2004)

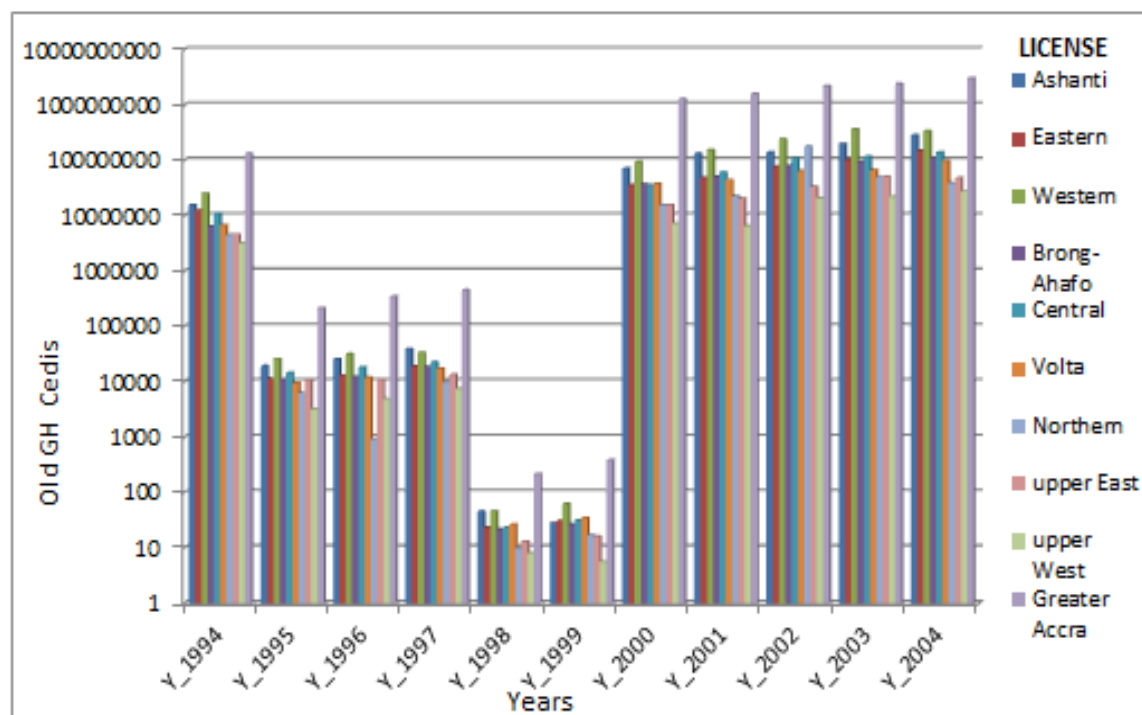


Fig 5e: Rent Revenue per MMDA for All Regions in Ghana (1994-2004)

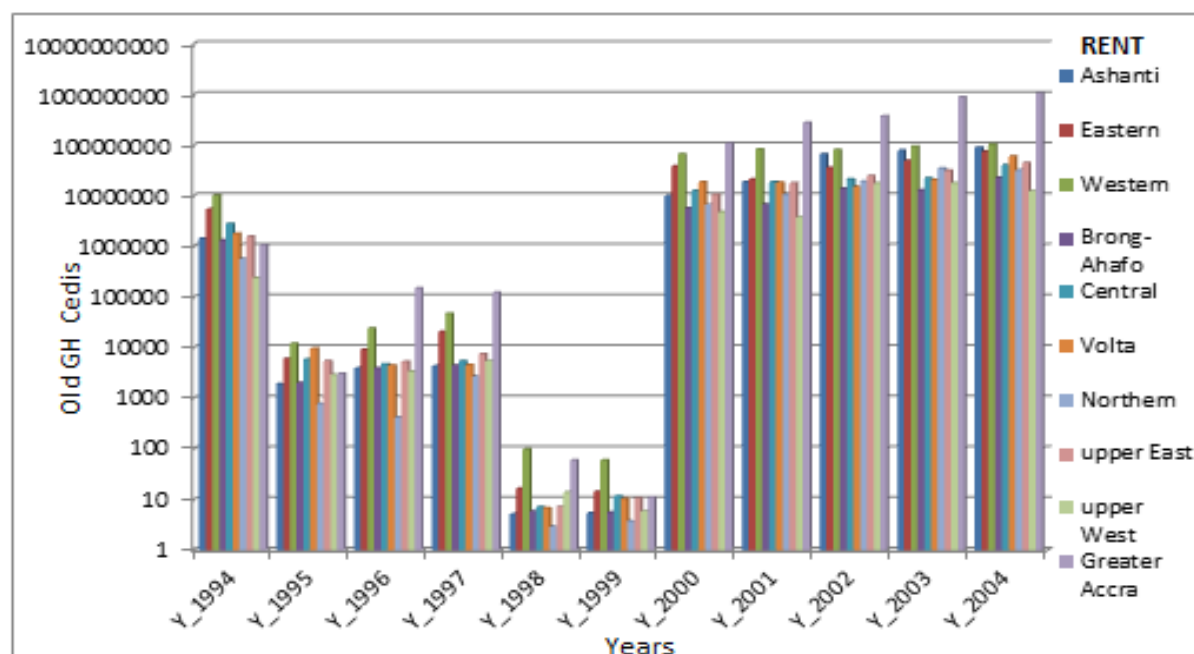


Fig 5f: Investment Revenue per MMDA for All Regions in Ghana (1994-2004)

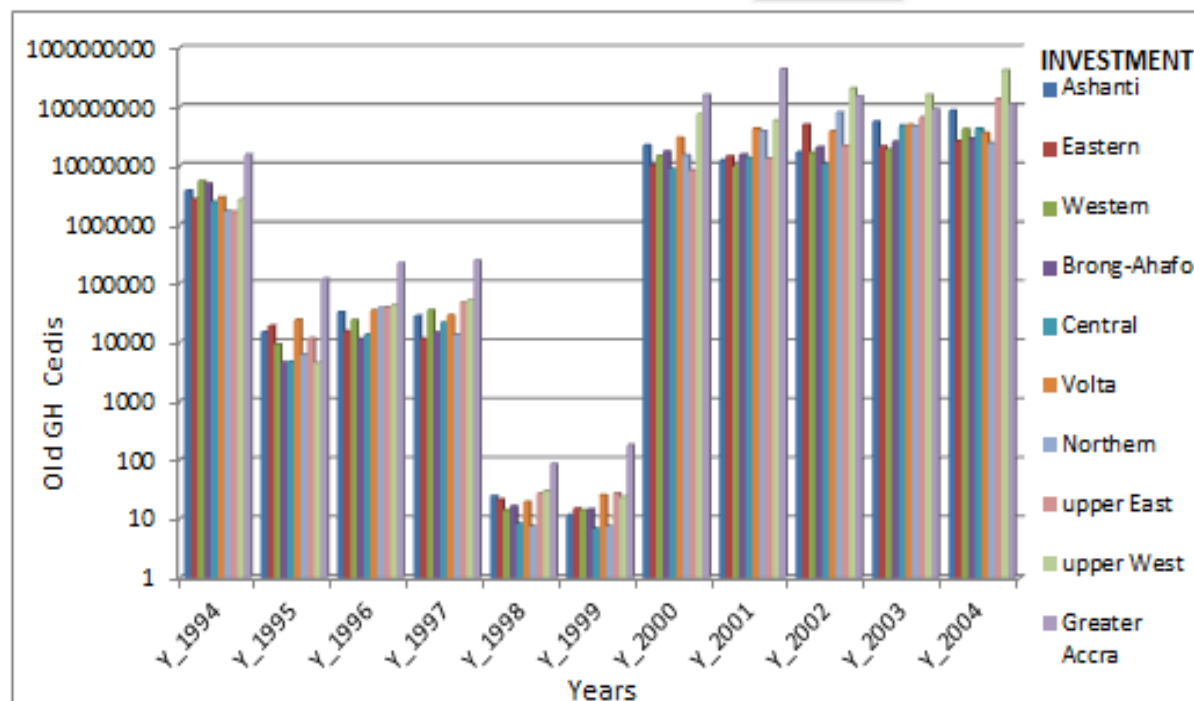
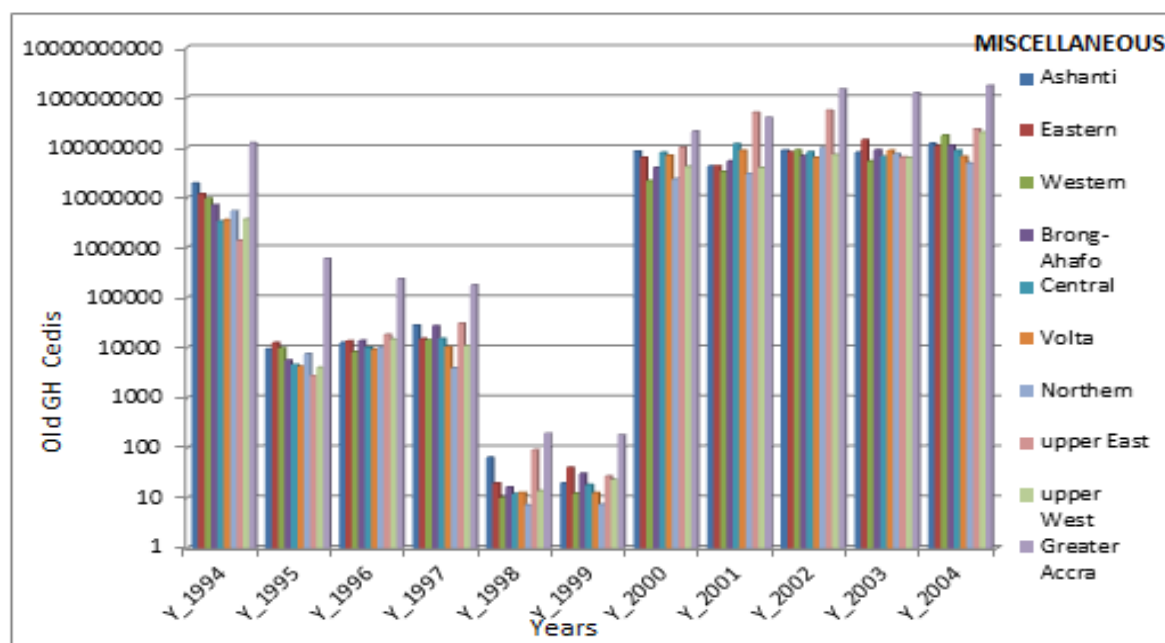


Fig 5g: Miscellaneous Revenue per MMDA for All Regions in Ghana (1994-2004)



Appendix II: Preliminary Multivariate Regression Analysis

Figure 5.3a: Scatter Plot for Fitted Model 2

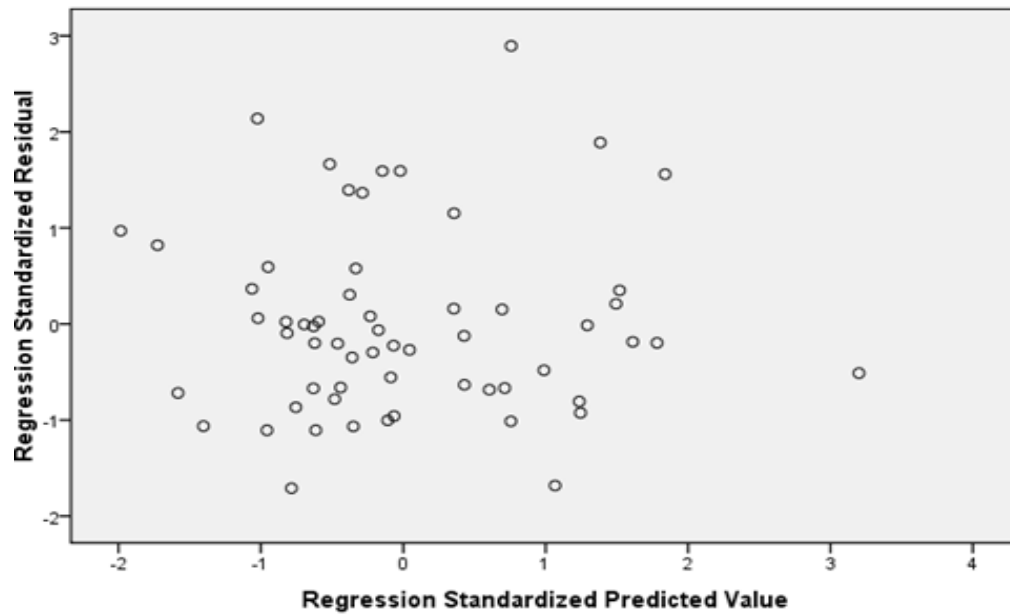


Figure 5.3b: Scatter Plot for Fitted Model 2

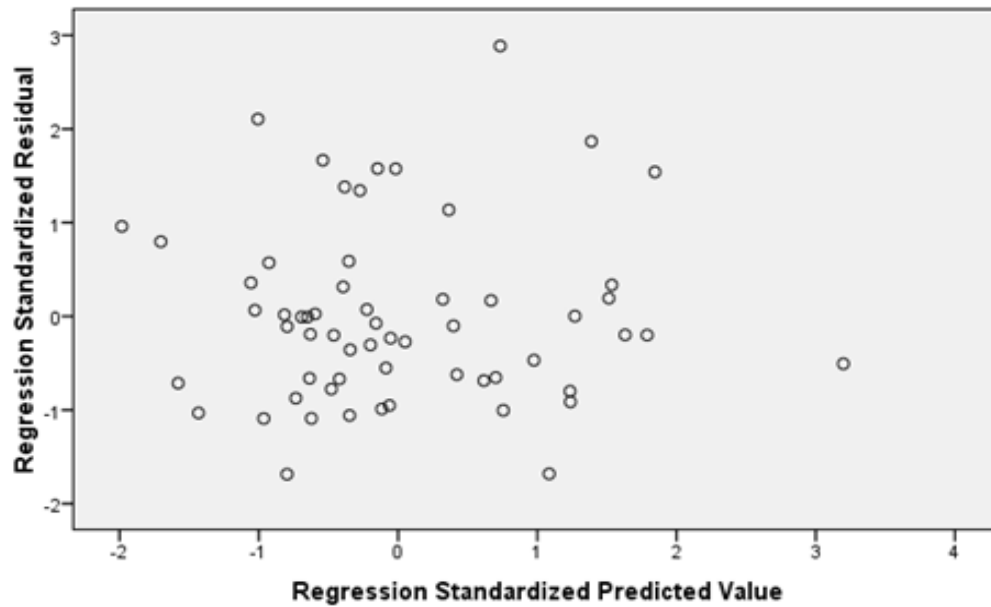


Figure 5.3b: Scatter Plot for Fitted Model 2

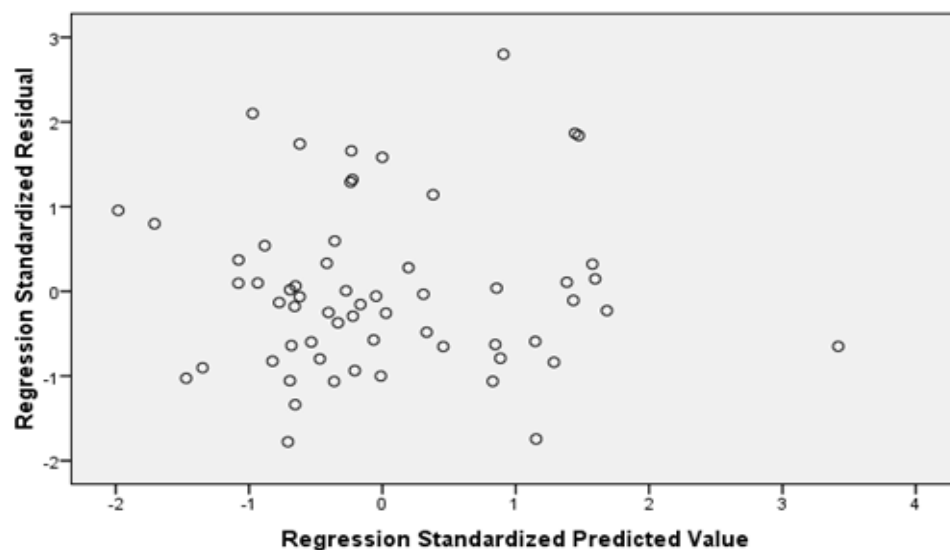


Table 5.7: Correlations of DACF Factors formula

		DACF TRANSFERS	POPULATION DENISTY	NEEDS	EQUALITY FACTOR	ELECTION RESULTS	RESPONSIVE FACTOR
Pearson Correlation	DACF TRANSFERS	1.000	.226	.514	-.277	.253	-.081
	POPULATION DENISTY	.226	1.000	.419	-.099	.314	.468
	NEEDS	.514	.419	1.000	-.027	.599	-.015
	EQUALITY FACTOR	-.277	-.099	-.027	1.000	.218	-.312
	ELECTION RESULTS	.253	.314	.599	.218	1.000	-.102
	RESPONSIVE FACTOR	-.081	.468	-.015	-.312	-.102	1.000
Sig. (1-tailed)	DACF TRANSFERS	.	.041	.000	.016	.025	.270
	POPULATION DENISTY	.041	.	.000	.227	.007	.000
	NEEDS	.000	.000	.	.418	.000	.454
	EQUALITY FACTOR	.016	.227	.418	.	.047	.008
	ELECTION RESULTS	.025	.007	.000	.047	.	.219
	RESPONSIVE FACTOR	.270	.000	.454	.008	.219	.
N	DACF TRANSFERS	60	60	60	60	60	60
	POPULATION DENISTY	60	60	60	60	60	60
	NEEDS	60	60	60	60	60	60
	EQUALITY FACTOR	60	60	60	60	60	60
	ELECTION RESULTS	60	60	60	60	60	60
	RESPONSIVE FACTOR	60	60	60	60	60	60

Source: Authors' construct, 2013

Appendix III: Detailed Datasets for DACF formula-based calculations

REGIONS/ MMDAs	YEAR	DACF	POPDEN	NEEDS	MMDA	EQUALITY	POL	RESP
ASHANTI	2004	12667117.6	152.0	13.0	18.0	14026909.0	74.61	15.7
	2005	14157948.3	156.0	15.0	18.0	11485636.0	74.61	18.0
	2006	11927651.6	160.0	15.0	23.0	23193333.0	74.61	15.23
	2007	8947866.8	165.0	16.0	23.0	28890000.0	74.61	12.1
	2008	18030529.0	196.0	19.0	27.0	34466294.1	25.0	24.0
	2009	28926462.0	201.0	12.0	27.0	29949352.9	25.0	25.0
	2010	17237712.0	205.0	13.0	30.0	54063529.4	25.0	22.0
EASTERN	2004	9166413.2	111.0	30.0	16.0	12468363.0	60.27	13.5
	2005	9767317.7	114.0	24.0	16.0	10209454.0	60.27	14.3
	2006	8481414.1	116.0	25.0	20.0	20168115.0	60.27	16.5
	2007	6758529.4	118.0	22.0	20.0	25121739.0	60.27	11.9
	2008	12257144.0	136.0	14.0	21.0	26807117.7	43.0	18.0
	2009	21184828.0	143.0	18.0	21.0	23293941.2	43.0	19.0
	2010	13205909.0	152.0	26.0	26.0	42049411.8	43.0	17.0
WESTERN	2004	7881581.3	82.0	22.0	9.0	7013454.0	56.64	22.6
	2005	8552387.2	84.0	25.0	9.0	5742818.0	56.64	16.9
	2006	7630637.2	86.0	28.0	10.0	10084057.0	56.64	17.3
	2007	6577899.0	88.0	27.0	10.0	12560869.0	56.64	18.8
	2008	11421156.0	99.0	29.0	17.0	21701000.0	52.0	26.0
	2009	19100169.0	108.0	17.0	17.0	18857000.0	52.0	13.0
	2010	11671806.0	119.0	28.0	22.0	34040000.0	52.0	12.0
CENTRAL	2004	7480884.4	167.0	17.0	10.0	7792727.0	58.57	7.8
	2005	8103758.2	172.0	15.0	10.0	6380909.0	58.57	6.9
	2006	6447132.8	178.0	16.0	16.0	16134492.0	58.57	8.62
	2007	4394319.1	183.0	15.0	16.0	20097391.0	58.57	12.5
	2008	9942791.0	224.0	16.0	17.0	21701000.0	54.0	15.0
	2009	18669247.0	241.0	13.0	17.0	18857000.0	54.0	11.0
	2010	10769597.0	263.0	18.0	20.0	34040000.0	54.0	9.0
VOLTA	2004	8378499.9	81.0	10.0	13.0	10130545.0	14.26	7.9
	2005	8085545.5	84.0	9.0	13.0	8295181.0	14.26	8.5
	2006	6874179.4	86.0	9.0	16.0	16134492.0	14.26	8.1
	2007	4981745.0	88.0	10.0	16.0	20097391.0	14.26	10.63
	2008	10162295.0	103.0	15.0	18.0	22977529.4	86.0	10.0
	2009	18790935.0	121.0	8.0	18.0	19966235.3	86.0	8.0
	2010	12734174.0	132.0	13.0	25.0	36042352.9	86.0	12.0
NORTHERN	2004	12574765.7	27.0	34.0	13.0	10130545.0	36.2	2.8
	2005	14221804.8	27.0	32.0	13.0	8295181.0	36.2	3.6
	2006	12611560.0	28.0	31.0	12.0	12100869.0	36.2	4.3
	2007	5441360.7	29.0	31.0	12.0	15073043.0	36.2	4.8
	2008	13277698.0	35.0	27.0	21.0	26807117.7	62.0	5.0
	2009	22670389.0	38.0	25.0	21.0	23293941.2	62.0	7.0
	2010	14916734.0	42.0	29.0	26.0	42049411.8	62.0	5.0
UPPER WEST	2004	5978089.5	32.0	24.0	5.0	3190454.0	32.23	4.3
	2005	5070031.2	33.0	23.0	7.0	7058840.0	32.23	4.1
	2006	10384164.1	33.0	23.0	7.0	8792608.0	32.23	3.7

	2007	11417600.6	37.0	23.0	7.0	11689090.0	51.96	10.7
	2008	693092.0	38.0	23.0	9.0	28083647.1	62.0	5.0
	2009	1160639.0	41.0	11.0	9.0	24403176.5	62.0	3.0
	2010	6196489.0	44.0	21.0	11.0	44051765.0	62.0	2.0
BRONGAHAFO	2004	9888486.7	49.0	19.0	18.0	18151304.0	51.9	18.3
	2005	6993990.6	50.0	20.0	18.0	22609565.0	51.96	12.9
	2006	4107826.4	51.0	21.0	22.0	28083647.0	51.96	39.41
	2007	4538232.8	53.0	21.0	22.0	3896363.0	51.99	49.1
	2008	11627702.0	58.0	18.0	22.0	12765294.1	53.0	16.0
	2009	21944190.0	61.0	14.0	22.0	11092352.9	53.0	29.0
	2010	15029026.0	64.0	18.0	27.0	20023529.0	53.0	24.0
G. ACCRA	2004	5551160.4	981.0	28.0	8.0	8067246.0	51.99	46.2
	2008	9983424.0	1009.0	31.0	10.0	10212235.3	54.0	27.0
	2009	14850837.0	1024.0	26.0	10.0	8873882.4	54.0	29.0
	2010	10106063.0	1042.0	29.0	16.0	16018824.0	54.0	24.0

Source Authors construct, 2013 (Computed from IFPRI, CWIQ, MLGRD reports, GSS reports)

REGIONS/MMDAS: since the number of MMDAs ranged between 110 and 216 between 2004 and 2010. It was difficult because of the bulkiness of datasets and variations in number of MMDAs between the years considered. Therefore, I used the mean (averages) as data reduction technique and a standardizer. Therefore, the data used for the regression analysis (presented in appendix III) are MMDAs averages per year at the regional level. Further explanation follows

YEAR: The datasets covered 2004-2010. However, the independent variable datasets was lagged by a year. That is, I used 2003 datasets on the needs, service pressure/population density, responsiveness, election results, and equality factors to explore 2004 DACF.

DACF: I calculated DACF by dividing the total amount transferred to each region by the total number of MMDAs for each year between 2004 and 2010.

POPDEN: Population density is used to measure service pressure. For every year (2004-2010), average population (total population for each region divided by the total

number of MMDAs) was divided by average land area per square km (total land area per region divided by number of MMDAs per region).

MMDAs: These refer to the total number of MMDAs per region per year.

EQUALITY: Based on the proportion of DACF allocated to equality factor per year (2004-2010), I calculated the total amount of DACF that is equally shared. Then I calculated each MMDAs share by dividing the total amount shared by total number of MMDAs. I then calculate the average share at the regional level (total share of MMDAs for each region/number of MMDAs for that region)

POL: To determine evidence of politically motivated targeting, I used the percentage of votes cast during the presidential election for each MMDA averaged at the regional level. The 2004 and 2008 election results were used for 2004-2008 and 2009-10 respectively

NEEDS: Relative total needs per region (based on availability of health facilities, population per doctor, population per nurse, educational facilities, pupil teacher, and tarred roads) were used based on CWIQ rankings. A region with the lowest availability of each development indicator (which is equivalent to more needs) is ranked 10, while a region with greatest availability of development indicator (equivalent to fewest needs) is ranked 1. The details are captured in the table below.

NEED INDICATOR /YEAR	REGIONAL (PER MMDA) RANK									
	ASHANTI	BRONG AHAFO	CENTRAL	EASTERN	GREATER ACCRA	NORTHERN	UPPER EAST	UPPER WEST	VOLTA	WESTERN
2009										
Health Facilities	1	7	8	4	2	5	9	10	6	3
Population/Doctor	2	4	5	3	1	10	8	9	6	7
Population/Nurse	8	7	6	4	5	10	3	1	3	9
Education facilities										
Pupil teacher										
Water coverage	2	8	9	7	5	4	6	1	3	10

Tarred roads										
Total Needs	13	26	28	18	13	29	26	21	18	29
2008										
Health Facilities										
Population/Doctor	2	4	5	3	1	10	8	9	6	7
Population/Nurse	8	7	3	6	4	10	5	1	2	9
Education facilities										
Pupil teacher										
Water coverage	2	7	9	4	3	5	8	1	6	10
Tarred roads										
Total Needs	12	18	17	13	8	25	21	11	14	26
2007										
Health Facilities										
Population/Doctor	2	4	6	3	1	10	7	9	5	8
Population/Nurse	10	2	7	3	1	8	4	5	5	9
Education facilities										
Pupil teacher	5	3	7	2	9	6	10	8	1	4
Water coverage	2	5	9	8	4	3	6	1	7	10
Tarred roads										
Total Needs	19	14	29	16	15	27	27	23	18	31
2006										
Health Facilities										
Population/Doctor	2	4	7	3	1	10	6	9	5	8
Population/Nurse	9	7	6	2	1	8	3	5	4	10
Education facilities										
Pupil teacher	3	7	5	2	1	10	9	8	6	4
Water coverage	2	4	9	8	7	3	5	1	6	10
Tarred roads										
Total Needs	16	22	27	15	10	31	23	23	21	32
2005										
Health Facilities										
Population/Doctor	2	7	8	3	1	10	5	9	4	6
Population/Nurse	9	8	6	2	1	7	5	4	3	10
Education facilities										
Pupil teacher	2	6	5	3	1	9	8	9	7	4
Water coverage	2	4	9	8	6	5	3	1	7	10
Tarred roads										
Total Needs	15	25	28	16	9	31	21	23	21	30
2004										
Health Facilities										
Population/Doctor	2	6	5	3	1	10	4	9	7	8
Population/Nurse	9	7	6	2	1	8	5	4	3	10
Education facilities										
Pupil teacher	2	6	5	3	1	10	8	9	7	4
Water coverage	2	5	9	7	6	4	8	1	3	10
Tarred roads										
Total Needs	15	24	25	15	9	32	25	23	20	32
2003										
Health Facilities										
Population/Doctor	2	8	7	4	1	10	3	9	5	6
Population/Nurse	7	10	4	2	1	9	6	5	3	8
Education facilities										
Pupil teacher	2	6	5	3	1	10	8	9	7	4
Water coverage	2	6	9	8	7	5	3	1	4	10
Tarred roads										
Total Needs	13	30	22	17	10	34	20	24	19	28

Source: Computed from CWIQ, GSS surveys (2003, 2004, 2010)

